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Schedule of Nationalization

By PAUL EINZIG

Political Correspondent, London "Financial Times"

British Financial Writer Contends That Despite the Assertion of the Labor Party Government, as Represented in the King's Speech, Nationalization Will Proceed Slowly. Points Out That Plans Have Already Been Proposed and Under Way to Spread Nationalization Throughout All Fields of Important Industries. If Scheme Is Carried Out, Its "Unscrambling" Will Be Difficult.

Paul Einzig

LONDON, ENGLAND — After the Socialist victory at the General Election in July, everybody expected the Labour Government to embark immediately on a policy of wholesale nationalizations. Great relief was felt in Conservative circles, therefore, when the King's Speech at the opening of the new Parliament in August last foreshadowed the nationalization of the Bank of England and the coal-mining industry only,

(oCntinued on page 2496)

Index of Regular Features on page 2496.

Post-War Securities And Capital Markets

By GANSON PURCELL*

Chairman, Securities and Exchange Commission

Contending That Despite Existing Control Over Securities Markets, Accomplished "Without Injecting Into Our Financial Freedom Authoritarian Powers Over Individual Action," Mr. Purcell Maintains That During the War Essential Stability Ruled the Capital Markets. Though Cautioning Against Inflationary Trends, He Points Out That Prosperity and Full Employment Can Be Attained Only by a Substantial Volume of Corporate Financing. Holds Most Large Corporations Can Readily Obtain Additional Capital, But Still Sees "a Messy Problem" of Small Business Financing, Which Unfortunately "Has Acquired an Emotional Tinge." Looks for Large Capital Exports and Foreign Financing and States That Problem of Additional Control Over Foreign Issues Must Be Dealt With Carefully and Promptly.

Ganson Purcell

I have chosen to talk about subjects of paramount present-day interest and importance, the securities and capital markets in the post-war period and the prospects for domestic and foreign financing. The State and Federal regulatory authorities gathered here are charged by law with constant responsibility for the improvement and maintenance of the standards of conduct in these markets, to the end that public confidence in their safety as a place to deal may be assured and justified. It is the vital concern—or should be, if it is not—of all peace loving people, that world reconstruction should proceed without delay. That re-

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*An address by Mr. Purcell before the National Association of Securities Commissioners, Chicago, Ill., Nov. 16, 1945.

(Continued on page 2466)

"Have Lend-Gift But Get Quid Pro Quo": Col. McCormick

Newspaper Executive Points Out That Britain, Because of Lower Industrial Productivity Than the United States, Requires Greater Efficiency and Greater Capital Application to Pull Out of Her Difficult Economic Situation. Holds Private Investment Cannot Be Expected Under the Policy of Nationalization, and Denounces Sterling Area and Empire Preference as Stumbling Blocks to World Trade. Calls for Liberation of British Colonial Possessions as a Prerequisite of Financial Aid.

In an address before the Foreign Policy Association at the Waldorf-Astoria Hotel in New York City on Nov. 17, Col. Robert R. McCormick, publisher of the Chicago "Tribune," struck out vigorously against the British commercial and colonial policy and called not only for an end of Empire preference and the sterling area as a prerequisite for American financial aid but also demanded for our own protection, the liberation of the British possessions in the West Indies. The text of the part of Col. McCormick's address dealing with these matters follows:

There are those among us—of course I am not one of them—who think that Easterners look up to the English and profess to despise Americans west of the Hudson.

Col. R. R. McCormick

Our view is purely nationalistic. So when the proposal is made give Great Britain 5 billion more dollars, we are inclined to scrutinize the request carefully. This is what we find:

The standard of living of the average American before the war was twice as high as that of the average Englishman. This was discovered by Dr. Leon Rostas

(Continued on page 2495)

Some Problems Facing Industry

By LEON R. CLAUSEN*

President J. I. Case Company

Business Executive, Asserting That Manufacturers in Practically Every Phase Have Been Under Government Control, Which Now With Consumer, Labor and Management, Constitute "Four Legs of a Stool," Reviews Labor and Materials Situation and Difficulties Facing Manufacturers in Taxes, Price Controls and Politics. Contends That Despite Labor Shortage, Many Are Living on Unemployment Benefits and That the 40-Hour Week Is Raising Costs. Sees Price Controls as Destroying Profits, and Taxes as Causing Confiscation. Says No Miracles Can Be Expected From Technological Improvements and That Greatest Problem of Farmers and Manufacturers Is That of Becoming Servants of Government.

With reconversion from war to peace, a current problem of both agriculture and industry, it is fitting indeed that representatives of agriculture and industry should be meeting today to discuss this mutual problem.

We are glad of this opportunity to learn of the problems of agriculture.

We appreciate the opportunity to call your attention to some of the more important problems facing industry.

We realize fully that agriculture and industry rise and fall to-

(Continued on page 2474)

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*An address made by Mr. Clausen before a Wisconsin farm and industry conference, in Madison, Wis. on Nov. 1, 1945.

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The Over-the-Counter Market and the NASD

By WALLACE H. FULTON*

Executive Director, National Association of Securities Dealers, Inc.

Asserting That the Distinguishing Characteristic of the Over-the-Counter Market Is Its Individualism and That the Over-the-Counter Dealer Places a High Value Upon His Privacy and Abhors Regimentation, Mr. Fulton Then Describes the Regulating Powers of NASD Over Dealers and Its Aim to Enforce Its Rules and Practices. Tells of Progress in Enforced Registration of Salesmen and Traders Which He Characterizes as the Evolution of Self-Regulation and Denies Attempt to Fix Dealer "Mark-Ups" as a Profit Limitation. Calls for Research in the Securities Business and Closer Cooperation Between Government and the Industry.

All of us here today are concerned, in one form or another, with regulation of the securities business. Some have the duty of enforcing regulations; others are concerned with the impact of enforcement upon the business.

Wallace H. Fulton

I know that all want to see the laws and the regulations implementing the laws enforced fairly. No one of us wants excesses or abuses in enforcement to go unchallenged any more than we will allow excesses and abuses within the business to go unrestrained.

Some—maybe all of you—may feel that you know all about NASD and its field of operation—the over-the-counter market. However, I hope to give you some

(Continued on page 2478)

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*An address by Mr. Fulton before the Convention of the National Association of Securities Commissioners, Chicago, Ill., Nov. 16, 1945.

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India as an American Export Market

By S. CHANDRASEKHAR

Chief, New York Bureau, Janmabhoomi Group of Bombay Newspapers

East Indian Economist Describes India's Vast Resources and Potentialities as an Industrial Nation, and Points Out the Factors Which Make It a Favorable Market for American Products. Says Industrial Expansion Has Been Restricted by British Policy, and That India's Production Has Been Diverted From Consumer to War Purposes. Estimates India's Sterling Balances as $5.4 Billions and Expresses Fear of Their Repudiation. Says India Needs Dollar Credits, but Warns Against American Partnership With British Vested Interests. Holds Future Economic Development Dependent on a National Government for India.

S. Chandrasekhar

One country which may well become America's leading customer within the next couple of decades is India, land of 400,000,000 people and immense natural resources. India today is in the throes of a momentous upheaval, as much economic as it is political. She is determined not only to throw off foreign political domination but to break the fetters of her economic subjection. She is no longer content to remain a helpless purveyor of raw materials. She wants to develop her resources herself and to industrialize as best she can. When she does succeed in doing so, as she no doubt will in not so distant a future, she may well become America's foremost customer, if America so desires. India will need vast quantities of capital goods and other tools and equipment, and technological skill which America alone can most speedily and efficiently provide. As her standard of living gradually rises she will also require a thousand and one consumption goods that she may not readily be able to manufacture but which America can most easily and cheaply supply. It is not beyond the realm of possibility that 15 to 20 years hence India may be able to absorb $500,000,000 to $700,000,000 worth of American goods every year, or a share larger than that of any single customer during pre-war years.

Is America willing and ready to meet these demands? American industrialists and economists would do well to ponder the question, no longer as a remote or theoretical possibility but as an immediate and practical proposition. If the United States is to maintain an expanding economy in the post-war years, solve satisfactorily the problem of post-war unemployment, there can be no two opinions regarding the significance and urgency of such a proposition. Indeed, the time for planning and preparing for it is here and now.

India's Vast Resources

Potentially, India is the third richest country in the world. Her natural resources, as far as known at present (only one-fourth of India's total area of 1,581,410 square miles has so far been properly surveyed by geologists) are surpassed only by those of the United States and the Soviet Union.

India has the largest reserves of high-grade iron ore and the second largest of manganese ore. Her production of mica and ilmenite are the highest in the world. She possesses rich deposits of chrome, bauxite, sulphur, magnesite, graphite, monazite and

(Continued on page 2472)

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Psychological Pitfalls in ppraising Stock Market Values

By MILAN D. POPOVIC
Chief, Research Department, Blue Ridge Corp.

Market Analyst Points Out Instances of Hysteria Which Have Marked Speculation and Securities Markets in the Past, and Contends That Statisticians and Economists Are Prone to Follow the Same Psychological Pitfalls as the Public. Holds That Present Stock Market Appraisals Are Largely Over-Optimistic and Calls for "Self-Criticism" and More Calm and Conservatism by Statisticians, Who Have a Duty to the Public. Discusses Statistical and Analytical Mistakes With Reference to Rails, Coppers and Distillery Stocks and Concludes That Now Is an Excellent Time to Emphasize the Adverse Side.

When the 1929 crash occurred the offices of a large investment house were pervaded with understandable gloom, with the exception of the senior partner who, even though taking losses, seemed to be cheerful about it. He called a friend of mine who happened to be his assistant at the time into his office and explained the reason for his exuberance: It seems that in the spring of 1929 the stock market and general economics were so completely irrational to him that he asked his partners to retrench. He was definitely in the minority of one. The continually rising market shook him so much that he ultimately began to doubt his own sanity. He had himself examined by doctors and despite all their assurances there remained a shade of uncertainty in his mind which depressed him. Only when the market crashed he had proof that it was not he who was insane but everybody else.

M. D. Popovic

This is a true story and has a moral in it for us all and particularly for statisticians and economists.

This gentleman knew that the market in 1929 was completely irrational and that some sober thinking was in order. He hadn't assurance enough, however, to go against the tide. It is much easier to join the crowd than oppose it, particularly when it is on the optimistic side.

It is interesting to speculate on the reasons for this irrationality of the market. An historian has said that all historical movements are a matter of some sort of rising pitch of mental vibration where entire nations gradually begin to think in a hysterical manner which leads to wars and revolutions.

Market Hysteria

The same thing seems to happen in general business and the stock markets. It is not necessary to recall tulip bulb markets, or South Sea and Mississippi bubbles, or 1929. They were all examples of mass irrationality gradually built up by mass delusion so that even normally sane people accepted completely impossible ideas. It would seem that the stock market is particularly sub-

(Continued on page 2480)

Security Dealers' Responsibilities

By JAMES A. TREANOR, JR.*
Director, Trading and Exchange Division, Securities and Exchange Commission

Mr. Treanor, After Acknowledging the Contribution of the Securities Business in Expanding National Economy and Preserving Capitalism, Asserts It Is the Role of the Security Dealer to Maintain Confidence in Our Securities Markets. Lists What He Calls "Professional" Responsibilities of Dealers and Reiterates His Advocacy of "Full Disclosure." Makes Implication That Many Dealers Desire That the Market Value of an Over-the-Counter Security Be a Trade Secret, and That Accurate Quotations Be Withheld From Public Knowledge. Praises Financial Press and Urges Dealers Organize Regional "Better Business Bureaus" to Watch and Expose Corporate Practices.

When I received your President's kind invitation to participate in one of your meetings I welcomed the opportunity to come to Chicago and exchange views with you. There is great value to be derived from these meetings. Much of it would be lost, however, were we to confine ourselves to a statement of the things on which we can all agree, and ignore matters which, although controversial, are nonetheless both timely and fundamental. In speaking here today I run the risk that you may think I am expressing the sentiments of the Commission. I make no pretense to do so. What I say is on my own responsibility and should not be understood as expressing the official views of the SEC.

J. A. Treanor, Jr.

Moreover, I am sure that you will find that the viewpoint which I express is not in all respects the viewpoint of a person who makes his livelihood from the business of buying and selling securities. That viewpoint is set forth often enough in the speeches and writings of persons who are engaged with you in the securities business. I hope that I approach the problems which concern me in my official capacity with an open mind. But if it can be said that my experience has given me a special point of view, I hope that special point of view is in the interest of the investing public

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*An address by Mr. Treanor before the Stock Brokers Associates of Chicago, Nov. 15, 1945.

(Continued on page 2476)

Post-War Financing and National Distribution of Securities

By FITZ JOHN PORTER*
Of The New York Bar

Mr. Porter Forecasts Extensive Financing of All Kinds, Both Foreign and Domestic, in Governments, Railroads, Utilities and Industrials. Figures New Investment of $750 Millions in Airlines Alone in Next Five Years, and Points Out That Utilities Will Need Large Sums for Expansion and Reconversion and That New Products Mean Additional Industrial Capital Expenditure. Sees Need of Revision of State Securities Laws Regarding Registration of Dealers and Salesmen and Regulatory Exemption of Certain Securities. Holds "Revenue" and "Authority" Bonds Should Have Same Exemption Privileges as Municipals. Urges Uniform Qualifications for Classifying and Grading Non-Exempt Securities and Defends the Use of Warrants and Stock Option Purchases.

Mr. President and Ladies and Gentlemen, particularly Members of the Association:

Mr. President, no matter how undeserved we know such compliments are, and no matter how embarrassed they make us feel, we like them, especially when they are received from one whom we ourselves so greatly admire.

Fitz John Porter

My friends, as always at these meetings you have welcomed me as one of you and thus have made me feel entirely at home. You could pay me no greater compliment. No one could appreciate and prize that honor more than I do.

Needless to say, it is an especial privilege and pleasure to see you and to talk with you again. We have worked together and played together now for many years. Never during that time have I been accorded anything but the most cordial, friendly and courteous reception. Never have I failed to receive the utmost consideration and kindness. You have always shown a desire to have me present a subject for your consideration fully and completely, and to discuss it frankly without any disposition to interrupt or hurry me. You have always wished to examine a question from all sides and to look at it from my point of view. You have always given a problem all of the attention and thought it needed and deserved, and you have always reached a decision which you conscientiously concluded was right and fair and just in accordance with your law. It is most gratifying to me to realize how

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*An address delivered by Mr. Porter, who is associated with Davis Polk Wardwell Sunderland & Kiendl, at the Annual Convention of the National Association of Securities Commissioners, Chicago, Illinois, Nov. 16th and 17th, 1945.

(Continued on page 2484)

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War Losses and Reparations

By ROBERT F. LOREE*

Chairman, Foreign Property-Holders Protective Committee,
National Foreign Trade Council, Inc.
Vice-President, Guaranty Trust Company of New York

Mr. Loree Calls Attention to the Neglect of the American Interests in the Reparations Decisions of the Three Great Powers. Says Americans' Just Claims Are Ignored and That Russia Is Getting the Lion's Share. Contends Cost of the War Has Been as Heavy to the United States as to the Other Powers and Advocates a Uniform Yardstick in Claims for Reparations. Points Out We Received Nothing in the Way of Reparations After Last War and Cautions Against Renewal of a Similar Situation, Particularly As We Are Asked to Feed the Axis Population While the Other Powers Are Exacting Reparations.

Robert F. Loree

The Foreign Property-Holders Protective Committee was formed to see that American owners of property in enemy and enemy-occupied countries were protected in their properties. To see that these properties where undamaged, were returned to their rightful owners; where damaged or destroyed, that adequate compensation was given by the enemy either through substitution of similar properties for those destroyed or where such substitutions was not available, then in dollars or local currency depending on the source of the property destroyed and the currency needed to replace it.

The Committee with these objectives in mind drew up and transmitted through the Department of State to the Moscow Reparation Commission certain suggestions for a United Nations agreement on reparations.

These suggestions confirmed and amplified some of the questions raised by members of this Committee in discussions and communications with members of the United States Delegation earlier in the year.

The basic objectives sought by the Committee were to see that the United States Government and its nationals would participate in the total reparations demanded or received from enemy countries on an equal basis with any of the other United Nations and their nationals.

That in the restitution of losses or compensation for losses the foreign interests of United States nationals should be accorded treatment no less favorable than that accorded the nationals of any other United Nation.

These objectives did not then nor do they now, seem unreasonable or selfish—on the contrary the Committee felt then and still feels that their suggestions formed the basis of a just and equitable approach to the reparation problem.

United States Claims Ignored

We regret that these suggestions

(Continued on page 2479)

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*An address by Mr. Loree before the 32nd National Foreign Trade Convention, New York City, Nov. 13, 1945.

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Congressmen Disillusioned on British Loan

Suspicion Aroused That Britain Is Refraining From Making Commitment on Its Commercial Policy as a Bargaining Weapon for More Generous Financial Aid. Failure of Other Nations to Ratify Bretton Woods Agreements a Source of Irritation. Rep. Wolcott Insists That Foreign Financial Aid Be Predicated on Adherence to Multilateral Trade Under Conditions Agreed Upon at Monetary Conference.

Jesse P. Wolcott

WASHINGTON, D. C., Nov. 20—Some members of the Congress who have been keeping an eye on the Administration's discussions with the British are becoming irritated over the British attitude. They have got the impression that the British, ever the hardboiled bargainers, are taking advantage of our goodwill. Partly, the story goes back to Bretton Woods and to the criticism made at that time that Bretton Woods represented a fragmentary treatment of a much broader problem. The defenders of Bretton Woods answered that it would not be possible to advance on all fronts at once, and that commercial policy would have to be separately considered later on.

Now, it appears to some Representatives and Senators, the British—still holding back from any commitment on commercial policy—are seeking to use their ratification of Bretton Woods as a bargaining weapon to secure more generous financial aid from us in the form of a loan agreement containing elements of a generous gift. Not only are members of the Congress privately expressing irritation; but so also are Britishers, who seem to regard efforts to make the coming loan "businesslike" as a form of Shylockism.

(Continued on page 2495)

Necessity for Foreign Investment

By WILLARD L. THORP*

Deputy to the Assistant Secretary of State for Economic Affairs

State Department Expert Asserts That Trend Toward International Blocs Is of Grave Concern to the United States, Since It Reduces Our Foreign Trade, Retards Economic Recovery and Creates Political Instability. Says Trade Restrictions Are Not of Free Choice and They Can Be Obviated by Loans to Offset a Short-Run Lack of Balance Between Imports and Exports. Favors Government Lending With Same Restrictions as Under Lend-Lease but Sees Field Later Open to Private Investors. Admits There Is Real Risk in Undertaking Program of Foreign Investment, but Maintains It Can Prove Profitable and Attractive.

The post-war world may be making brave new experiments politically, but it is doing rather badly economically. This is, of course, no surprise. The devastation and economic dislocation caused by the war are not easily repaired. Every country in the world has a major reconversion problem, and many have the even more difficult task of reconstruction. Under these circumstances, it is not surprising that the trend in most countries is towards the continuation and even extension of types and forms of government control, far beyond the

(Continued on page 2491)

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*An address by Mr. Thorp before the National Industrial Conference Board, Waldorf-Astoria Hotel, New York City, Nov. 20, 1945.

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Finland Seeks Ten-Year Loan

Bank of Finland Head, Together With a Finnish Government Commission, in Washington to Negotiate Financial Aid. Finnish Banker Claims His Nation Is a Good Credit Risk, Since Country Will Have an Export Surplus and, in Past, Has Met Its Obligations and Once Paid Off Its Entire Debt. Estimates Loan of $110 Million Needed to Restore Finnish Industry, Since Indemnity of $300 Million in Kind Is to Be Paid to Russia and Almost $24 Million Is Already Due Export-Import Bank Under Pre-War Loan Agreement.

Sakari Tuomioja

WASHINGTON, Nov. 21.—Among recent visitors to Washington and New York has been the young looking governor of the Bank of Finland, Mr. Sakari Tuomioja, who is visiting not only this country, but also England and France, to make the acquaintance of central and other bankers. A lawyer and a member of the minority Liberal Party of his country, Mr. Tuomioja since 1940 has served successively as Undersecretary of Finance (1940-44), Finance Minister in the Peace Government of 1944, and since July head of the central bank of Finland.

Mr. Tuomioja's visit coincides with that of a Finnish economic and financial mission, which has been in Washington for several weeks negotiating with the State Department, and latterly with the Export-Import Bank, for supplies of American foods, fertilizers, chemicals, tires, metals, etc., to be financed by a loan, and for the unfreezing of Finnish assets in this country. That mission is headed by Mr. Walter Grasbeck, managing director of the Finnish Pulp Association. The mission also includes Mr. Artturi Lehtinen, permanent secretary of the Ministry

(Continued on page 2493)

Fish and Fowl

Wallace H. Fulton's Over-the-Counter Speech at Securities Commissioners' Convention Noteworthy for Omissions. Maloney Act Creates Monopoly in NASD. Trade Custom and Usage Constantly Invaded. Right of Privacy Destroyed and Industry Progressively Regimented. Abolition of Schism Urged.

At the Annual Convention of the National Association of Securities Commissioners held at Chicago last week Wallace H. Fulton, Executive Director of the NASD, chose as his topic "the over-the-counter market which is the field in which NASD operates."

A reading of that speech (given in full elsewhere in this issue), wading thru its teeming generalities, emphasizes for us the momentous omissions, and leads us to the belief that Mr. Fulton was talking tongue in cheek.

He characterized the Maloney Act as "providing for co-operative self-regulation with standards above and beyond the law."

What does the Maloney Act do in fact?

By an unwholesome scheme it makes it possible for the NASD to have its rule that forbids members from giving discounts to non-members, thereby compelling dealers to join or forego profits they normally would enjoy, and for this reason when Mr. Fulton talks of self-regulation, which implies voluntary action, he borders on the ridiculous.

Under that Act the NASD, via rule making powers, has

(Continued on page 2456)

Government Financing of Reconstruction and Foreign Trade

By WAYNE CHATFIELD-TAYLOR*

President, Export-Import Bank

President of the Export-Import Bank Describes the Emergency and Reconstruction Operations of His Bank. Its Operations Represent the Collective Judgment of Various Government Agencies. He Urges That We Continue Supplying Raw Materials and Credit Abroad, Particularly in View of Non-Interference With Our Domestic Demands. Calls for Restoration of Private Financing, and Predicts Joint Ventures by American and British Capital in Democratic Capitalistic Areas. Contends That Trade With USSR Can Be Expanded Through Deliveries of Raw Materials for Current Use or Stockpiling.

Wayne C. Taylor

In order to economize time and possibly to avoid a rather dull recital, I am making certain assumptions. The first is that you have read the General Policy Statement of the Export-Import Bank of Washington, or that you know where to get a copy in case of need. The second is that you are currently informed by the press of the credit agreements as they are signed, and the third and perhaps the most important is that you share my aversion for listening to statistics.

In thinking about this meeting I felt a desire to look back to some of the previous National Foreign Trade Conventions, to check up on what I had discussed with you before. Such a search is pretty useful—you either find how wrong you were at an earlier period or you find that you had expressed a particular thought badly or well. Very often it is a mixture, partly very right and partly quite wrong. This time I was startled to find that certain paragraphs expressed so accurately the policy background against which the current international credit operations of our Government are being conducted, that it was far better to repeat them than to attempt a paraphrase.

Oct. 8, 1941, New York City—

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*An address at the National Foreign Trade Convention, Nov. 13, 1945.

(Continued on page 2492)

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Robert Laffan Joins J. Walter Thompson

Robert Laffan, formerly financial writer and columnist for "The Wall Street Journal," financial correspondent for the London "Daily Telegraph" and recently in the research and syndicate department of the investment firm of Chas. W. Scranton & Co., has joined the staff of J. Walter Thompson Co.'s office at 1 Wall Street, New York City.

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J. E. Larson Elected Pres. of Nat'l Ass'n of Secs. Administrators

J. Edwin Larson

J. Edwin Larson, Florida State Treasurer and Securities Commissioner, was elected President of the National Association of Securities Administrators at its annual convention held at the Edgewater Beach Hotel, Chicago. The Association was formerly the National Association of Securities Commissioners.

Other officers elected were: D. D. Murphy, Securities Commissioner of South Carolina, first vice-president; Harold Johnson, assistant director of the Bureau of Securities, Lincoln, Nebr., second vice-president; Maurice Hudson, Corporation Commissioner of Oregon, treasurer; and Allan S. Richardson, Commissioner of Securities, Denver, Colo., secretary.

Representatives were present from thirty-four states, also the Hon. W. P. J. O'Meara, Under-Secretary of State of the Dominion of Canada; Hon. C. T. Cottingham, Securities Commissioner of the Province of Manitoba; the newly appointed Ontario Commissioner, Hon. C. P. McTague; and the Hon. F. C. Dubeck, Securities Commissioner of the Province of British Columbia.

The meeting was most successful with addresses by Paul G. Hoffman, president of Studebaker Corporation, and Ralph E. Flanders, president of the Federal Reserve Bank of Boston.

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Public Utility Securities

Central Arizona Light & Power

An offering of 840,000 shares of Central Arizona Light & Power common was made Nov. 8th by a syndicate headed by First Boston Corp. and Blyth & Co., the price being 13⅛. The issue appeared to go a little slowly at first, being less popular than the Florida Power stock which preceded it by about two weeks, but in the recent buoyant utility market the shares were soon disposed of.

◆

The stock was sold by American Power & Light because of the geographic integration requirements of Section 11. Central Arizona serves an area along the Gila and Salt Rivers in Arizona, located entirely in Maricopa County and including the city of Phoenix and some eight other communities and adjacent areas with a population of about 150,000.

The Salt River Valley is largely an irrigated farm area, the principal products being citrus, melons, lettuce, alfalfa, hegeri, dairy products and cotton. The Salt River Project of the U. S. Bureau of Reclamation uses water impounded behind the Roosevelt and subsidiary dams to irrigate some 240,000 acres of land. Central Arizona lines serve electric pumps to supplement water from other sources or to supply the entire requirements of about 109,000 additional acres west and north of the project.

In the 12 months ended July 31, 1945, total revenues were about 70% electric and 30% natural gas. Residential business accounted for about 33% of the company's electric revenues, commercial customers 31%, industrial 31% and miscellaneous 5%. Industrial power was sold for irrigation pumping, packing houses, creameries, ice plants, steel fabricating plants, cotton gins, cotton oil mills, railroad shops, etc. There was also some war business in connection with Government airfields, Goodyear Aircraft, etc. It is thought that two airfields will be maintained permanently but the status of other war plants remains uncertain. About 8% of electric revenues was derived from defense plants, and 7% of the natural gas revenues. Irrigation accounted for about 9% of the electric sales. Gas revenues were over 52% residential, 19% commercial, 25% industrial and 4% Government and municipal.

The company has been earning a fairly high return on plant investment; in the 12 months ended July 31, 1945, net operating revenues were equivalent to 7.4% on net plant account plus current assets, or nearly 9% on plant account alone. The fair value of property was last fixed in 1934, and recently the Federal Power Commission was invited to cooperate with the Arizona Corporation Commission to establish rate-making bases for utilities in the State.

Central Arizona's plant account is stated on the basis of the company's valuation since original cost accounting is not required in the State. However, on Oct. 19 this year the FPC advised the company that it considered it a public utility within the meaning of the Federal Power Act and that original cost studies should be furnished. While the company has questioned the assertion of the Commission, the fact that the FPC has been invited to join with the State Commission gives it an additional opportunity to secure an original cost determination, assuming that it can persuade the State Commission to go into the matter. Plant account now includes only a small amount of "identifiable intangibles" largely offset by a special reserve. The Property Retirement Reserve is also generous, the two items together equalling over 32% of plant account, a relatively high ratio. Should write-offs prove necessary, therefore, the reserve would furnish some protection.

No definite statement has been made regarding dividends following separation of the company from American Power & Light, but it is generally assumed that the rate will be 60 cents (the approximate amount paid in recent years). Share earnings in the 12 months ended July 31 were stated at 84 cents in the prospectus (though this was not on a pro forma basis with respect to taxes). During the years 1937-44 earnings ranged between 69 cents and 99 cents.

In connection with the stock offering, there has been some discussion of the action of the new

(Continued on page 2482)

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Auchincloss, Parker Adds West to Staff

WASHINGTON, D. C.—Auchincloss, Parker & Redpath, 729 15th Street, N. W., members of the New York Stock Exchange, announced today that Mr. Millard F. West, Jr., who was recently released by the Army Air Forces, has become associated with them.

Mr. West is a native of Washington, having attended Western High School before graduating from Blair Academy, and Princeton University. He subsequently received a law degree from National University. He is a member of the Chevy Chase Club and the Princeton Club of Washington. Prior to spending nearly four years with the Army Air Forces, during which time he rose from a First Lieutenant to a Lieut. Colonel, he was associated with Ferris, Exnicios & Co., Inc., for a period of nine years and was a Vice-President of the firm when he entered the service. Mr. West has always been active in civic affairs. He was a charter member of the Junior Board of Commerce and a past President of the organization.

Davison Reelected V.-P. by J. P. Morgan

Following his return from service in the United States Navy since March 3, 1942. Harry P. Davison, has been reelected Vice-President and member of the Executive Committee of J. P. Morgan & Co. Inc.

Lytle & Co., Inc. Is Formed In Detroit for Inv. Business

(Special to THE FINANCIAL CHRONICLE)

DETROIT MICH.—Lytle & Co., Inc., with offices in the Penobscot Building, will engage in an investment business. Officers are H. R. P. Lytle, President; Seward N. Lawson, Vice-President; and James L. Blean, Secretary-Treasurer. Harold C. Hill will be connected with the firm.

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Congress Again Faces A Silver Decision

By HERBERT M. BRATTER

Writer Recounts the Need of Silver Bullion From the Treasury by Industrial Users and the Efforts Made by the Industry to Extend the Green Act Which Expires This Year. Sees Opportunity Given the Silver Bloc to Agitate for Higher Price of Silver, and Expresses Doubt That Present Administration Will Consent to Repeal Provisions Which Limit Speculation in Silver. Holds China Is Not Likely to Restore Silver Circulation, That Mexico Will Seek to Hoard Its Silver and Return of Lend-Lease Supplies Will Be Long Delayed. Question Will Again Arise as to the Subsidation of Silver Producers.

Herbert M. Bratter

Senatorial horns are locked in a so far rather noiseless test of strength between two conflicting silver interests: the mine producers and the industrial and industrial-arts consumers of silver. The mine producers want to protect and increase the subsidy they now receive from the Treasury under the silver statutes of 1934 and 1939. The arts and industries want to be assured of an adequate supply of the metal at some price not prohibitive.

This issue came up during the war and was temporarily resolved in favor of the industrial users of silver. Under legislation sponsored by Senator Theodore F. Green of Rhode Island—an important jewelry and silversmiths State—the industry was given access to idle Treasury stocks of silver at 71¢ an ounce. By the passage of the Green Act, which was later renewed until the end of 1945, the silver Senators may be said to have lost face, because they had constantly preached silver's sacrosanct monetary nature and here they were permitting their "precious" metal to don overalls not only in war-essential industries but also for jewelry manufacture.

Although the need for weapons incorporating silver has now passed, the industrial and jewelry users of silver face the prospect of a shortage next year, unless they can continue to have access to Treasury surplus stocks through extension of the Green Act or enactment of some corresponding

(Continued on page 2483)

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Real Estate Securities

Narrowing of Margin Between Assessed Value of New York Real Estate and Actual Sales Prices One Contributing Factor in Increased Market Value of Real Estate Securities.

Prices realized in the sales of Manhattan properties are coming closer and closer to assessed valuations.

The dollar volume of business transacted during October in open-market deals in the borough reached the highest figure in many years, and the high level of trading is being maintained this month, according to reports received from brokers.

Many transactions are being closed at prices well above assessed valuations, and quick turnovers at substantial profits are bringing up memories of boom days.

Trading Up 20 Per Cent

The average percentage of assessed values paid by sellers last month was the highest since predepression days, reaching 95.6%, and the number and dollar volume of bona fide deals this year are running about 20% above 1944, according to the sales survey of the Real Estate Board of New York.

Last month there were 509 open-market transfers for $48,088,174, as compared with 422 for considerations aggregating $25,113,983 in October, 1944, when sellers realized only 68.9% of assessed values, the survey showed.

For the first ten months this year, 4,865 transfers were recorded for prices aggregating $371,166,280, or 78.9% of the figures carried on the tax books. In the same period last year 4,048 parcels brought $309,123,807, which was 69% of assessed values, the records indicated. During the first ten months of 1943 there were 2,867 transfers for $183,602,701, or 63.2% of tax valuations. In the years just preceding the war the dollar volume of trading for the corresponding period was running around $100,000,000.

Office Buildings Bought

Sixteen office buildings changed hands last month for $17,271,391 to bring in an average of 132.5% of assessed values, the Realty Board reported. Loft buildings also were in demand at increased prices, with 42 such properties bringing $3,698,568, or 85.7% of tax values. There were 387 residential property transfers for $23,081,461, or 78.7% of assessment figures.

In this period of readjustment, investors apparently are turning in increasing numbers to real estate as an outlet for idle funds.

Richard W. Millar to Open Inv. Business

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Richard W. Millar will engage in an investment business from offices at 210 West Seventh Street. Mr. Millar was formerly President of Avion, Inc. and Vultee Aircraft, Inc. In the past he was an officer of Bankamerica Company and the Bancamerica-Blair Corporation.

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Cincinnati Municipal Bond Dealers Group Elects Officers

CINCINNATI, OHIO—T. B. Johnson, Jr., of Breed & Harrison, Inc. was elected Chairman of Municipal Bond Dealers Group of Cincinnati at its annual meeting.

O. S. Hirschfeld of Stranahan, Harris & Co., Inc. was elected Secretary and Treasurer.

The following were also elected to serve on the Board of Directors:

E. J. Moster, of Weil, Roth & Irving Co.; Ray Houston, of Walter, Woody & Heimerdinger; W. H. Zieverink of W. H. Zieverink & Co., Inc.

John M. Dewar With Walston, Hoffman Firm

LOS ANGELES, CALIF.—John M. Dewar has become associated with Walston, Hoffman & Goodwin, Bank of America Building. Mr. Dewar was formerly a partner in Thomas Kemp & Co. and was with Cavanaugh, Morgan & Co. and Bank of America.

Paul Goldschmidt Is With Pacific Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Paul Goldschmidt has become associated with the Pacific Company of California, 623 South Hope Street, members of the Los Angeles Stock Exchange. In the past he was an officer of Stern, Frank & Meyer.

New Roth Partnership

The partnership of E. J. Roth & Co. was dissolved on November 14th, and a new partnership will be formed as of November 30th. Members of the new organization, which will do business as E. J. Roth & Co. from offices at 41 Broad Street, New York City, will be Emil J. Roth, member of the New York Stock Exchange, general partner, and Selma Ungerleider and Abraham Ungerleider, limited partners. Mr. Ungerleider was formerly a partner in Fagan & Co.

B. G. Cantor & Co. Admits David Wittman

B. G. Cantor & Co., 61 Broadway, New York City, has admitted David Wittman to partnership in the firm. Mr. Wittman has been associated with the firm in the trading department.

Fish and Fowl

(Continued from page 2453)

arrogated to itself legislative functions by the exercise of which dealers and others in the securities field have been kept in a constant dither.

Such delegation of legislative power has been under constant attack. Its legality is questionable, its propriety doubtful.

The statutory obeisance due from NASD to SEC and the power of review possessed by the latter, has made the National Association of Securities Dealers a completely subservient body and robbed it of volition. Its coming into being in the first instance required SEC approval and it continues to be nothing more or less than a superfluous SEC auxiliary.

This set-up has made possible interlocking in camera conferences affecting, but screened from, the public. It has created a system of possible serious penalties imposed by competitors possessing the three-fold powers of prosecutor, judge and jury. From findings of fact by these policemen operating out of the same precinct there is small chance of escape because, acting in review, the judiciary has limited power with respect thereto, less than it has on appeal from similar findings by a court in the first instance.

We could go on to enumerate many other vicious products of the Maloney Act as to which Mr. Fulton was **judiciously** silent. Worst of all are the monopolistic powers granted to the NASD. Oh yes, we know, the statute permits the organization of other such associations, but you and we will never see them in being.

Mr. Fulton tells us the concept behind this legislation was "a form of regulation which would concern itself with that hard-to-define realm of ethics and fair practices."

Since when has square shooting, common honesty, become difficult of definition? Do we need weasel words, circuitous language, to tell us our public duty?

We remind you that long before the Securities Acts were passed there existed in our field a distinctly tracked body of trade custom and usage to which the SEC and the NASD is doing constant violence.

We go on.

Mr. Fulton recognizes that "the over-the-counter dealer places a high value upon his privacy and his right to carry on his business without too much interference and regulation—certainly he abhors regimentation."

Has the NASD respected these values? These prying questionnaires, were they not a flaunting invasion of the over-the-counter dealer's right to privacy? This proposed registration of some thirty thousand salesmen, traders, etc., etc., is that anything but sheer regimentation?

Lastly, the paving of the way for the future control of **profits, commissions** and **other charges** is the "most unkindest cut of all." As a sample of our vanishing free institutions it is compelling. We suppose that in the eyes of Mr. Fulton this does not invade the right to carry on business "without too much interference."

This separation in the industry, this making fish of one and fowl of the other, demands abolition.

We shall always condemn special and class legislation.

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Our monthly quotation sheet on Real Estate Securities was designed especially for dealers. It shows the current market, as well as the change in price on each issue since the close of the preceding month.

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PRODUCER

With established record in developing over-the-counter (and some Stock Exchange) business desires connection with New York Stock Exchange firm interested in opening an unlisted department or with some member or non-member house wishing to expand existing unlisted activities. Please address Box L 1122, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

FHA in the Post-War Era

By RAYMOND M. FOLEY*

Commissioner, Federal Housing Administration

Federal Housing Administration Commissioner Warns Against Both Carelessness and Over-Conservatism in Extending Credit. Lending on Inflated Costs and Sales Prices Would Eventually Kill Production of New Housing. The Need for 10 Million Family Units Must Be Supplied Quickly to Curb Inflationary Psychology. The FHA Has Improved Its Service by (1) Shortening Its Processing, (2) Simplifying Its Procedures, (3) Entering the Country Home Field, and (4) Adopting a Firm Commitment Policy for Builder Mortgagors.

We confront today a triple fork of the road in our home financing problem.

Raymond M. Foley

We have reached the fork of the road by a painful and costly passage—over two and a half decades of trial and error, in peace and war, prosperity and depression—during most of which time we produced too little housing, often housing too poorly built or financed, and rather generally housing for the most part designed to meet a ready market rather than a closely analyzed need.

This does not mean in any way to minimize the big job private enterprise, with the aid of mortgage lenders, did in the prewar years—nor in the fine war housing accomplishment. But to guide our future efforts we must study, too, why we face our present situation—the war causes and the prewar causes.

So today, after years of war so totally absorbing and distorting that we must labor long to readjust ourselves to a position of full peacetime production, we are confronted with an immense housing shortage, generally existing throughout the nation. It is coupled with a more pressing and impatient consciousness of housing need on the part of the public than we have ever known before. That consciousness is backed, too, by a greater ability to finance down payment than ever before. And the whole picture is complicated further by an accumulation of emphasis upon the problem areas of shelter, upon the lack of sufficient low rental units, on minority racial group needs, upon slums, upon the middle and low income sales brackets, and the problem of the returning houseless veteran. The emphasis upon them has grown through a long total or partial deferment of adequate action in those fields.

These are the backgrounds and the factors, mainly, that bring us today to the fork of the road in home financing. It is not a choice of two paths we who are concerned with private financing of residential property have to make. It is a choice of one out of three.

One path is that of least resis-

(Continued on page 2481)

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*An address before the annual meeting of the Mortgage Bankers Association of America, New York City, Nov. 16, 1945.

Australia's International Trade Position

By THE RT. HON. H. V. EVATT*

Australian Minister of State for External Affairs

Prominent Australian Statesman Presents the Position of Australia as a Member of the Sterling Bloc and a Participant in British Empire Preference. Says That Because Australia Went All-Out for the War, It Reduced Its Exports and Is Now Presented, Like Great Britain, With "the Dollar Problem." Stresses That Australia Is Against Further Borrowing in America and That It Is Geared to the Empire Preference Principle. Holds Situation Similar to That of U. S. and the Philippines. Wants Us to Maintain High Employment and Prosperity on the Theory That the Trend of World Trade Depends on Our Leadership.

Herbert Vere Evatt

What are the facts of the trade relationships between our countries? If you look at the history of our trade you will find that between the two great wars, Australia was in the habit of buying more goods from the United States than she could pay for, **except in gold.** The balance of trade in commodities was always against us. The gold that we produced helped us out. It came to the United States indirectly, through London. For reasons which I need not discuss, the gold that my countrymen dug up became buried again, in some place in Kentucky called Fort Knox. We had no objection to this procedure. We got your automobiles and used them. You got our gold and what you did with it was your business, not ours.

Lend-Lease

Then came the Second Great War. Had it not been for the vision shown by the United States leaders in 1941, there would have been a shortage of vital war equipment without which the war would probably have been lost. But under United States initiative, the Allies decided to do without normal trade procedures and remove currency obstacles for the purpose of winning the war. We voluntarily exchanged goods and services. The transactions were called Lend-Lease and Reverse Lend-Lease. Lend-Lease meant aid to Australia. Reverse Lend-Lease meant aid to the United States. I believe that on a true valuation of all those transactions as between Australia and U. S. A., Australia would at least come out square. There would probably be a balance in favor of Australia. Do not be anxious. We do not propose to submit a bill for payment of that balance to us in dollars.

Let me give my reasons for this opinion. In a very important statement before the House Foreign Affairs Committee last year, Colonel Spencer B. Eddy of the U. S. Army said that Reciprocal Aid was given by Australia "in a generous and courageous spirit and was even then running at the rate of a million dollars per day." He pointed out that calculations

(Continued on page 2482)

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*An address by Mr. Evatt before the National Foreign Trade Council, New York City, Nov. 14, 1945.

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NOTE—*From time to time, in this space, there will appear an advertisement which we hope will be of interest to our fellow Americans. This is an extra article of a series.*

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Twelve Years!

By MARK MERIT

On December 5th 1945 the Alcoholic Beverage Industry will be twelve years old. On each anniversary of its re-birth we like to remind our readers that our industry is the only American business legally established by an express provision in the Constitution of the United States.

We are not going to remind our readers of the evils attendant upon the effort, once made in this country, to prohibit by law the manufacture and sale of alcoholic beverages, or the revulsion of feeling that resulted in repeal. Memories of the prohibition period's contempt for law and order are too vivid to require frequent reminder. But we would like to devote a paragraph or two to the economic benefits which flowed from the return of our industry to the large family of American industrial companies.

The Alcoholic Beverage Industry came back during a period of great economic depression. It created jobs for men and women who needed them more than they had ever needed them before. Jobs in our own business; jobs in any number of related industries which supply the brewers and wineries and distillers, with barrels and bottles and shipping cases and labels and printing; jobs with growers of grapes for wine, grains for beer and for distilled spirits, jobs in the transportation and communications and hundreds of other industries.

We just came across some figures on one item—barrels. We note Schenley Distillers Corporation purchased barrels and cooperage supplies valued at $17,324,000.00 for its various subsidiaries, during the eight pre-war years. Think of the man-hours involved in the production of these barrels; the wages earned by workers. We won't bore you or confuse you with more astronomical figures; you can easily imagine figures for other related goods and services so essential in the production and distribution of the products that we, but one factor in the industry, produce and market.

Something to think about when "reconversion" is *first* on the list!

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Dow Theory Barometer — A weekly service predicting future trends in the stock market—Four weeks' trial, $1—Gaylord Wood, Inland Building, Indianapolis Ind.

More Bank Stock Extras Seem Imminent—New bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Also a new bulletin on **Third Quarter Statistical Comparison of 19 New York City Bank Stocks.**

Rail Finance Strength—Memorandum on the position of railroad finances—No. 203 in **Oliphant's Studies in Securities**—Jas H. Oliphant & Co., 61 Broadway, New York 6, N. Y.

Railroad Operating Costs—Study of outlook in **Forthnightly Investment Letter**—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Real Estate Quotation Sheet—A monthly quotation sheet on real estate securities designed especially for dealers, showing current market, as well as change in price on each issue since the close of the preceding month — Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

Shipbuilding Stocks — Interesting speculations with latent post-war earning power — Circular — Penington, Colket & Co., 70 Pine St., New York 5, N. Y.

Also available is a detailed memorandum on **St. Regis Paper Co.**

Transportation Statistics — Memorandum of monthly comment—Vilas & Hickey, 49 Wall St., New York 5. N. Y.

American Bantam Car Co. — New report and comment—Kneeland & Co., Board of Trade Building, Chicago 4, Ill.

American Forging and Socket—Circular—De Young, Larson & Tornga, Grand Rapids National Bank Building, Grand Rapids 2 Mich.

Arizona Edison Co.—Descriptive circular—Seligman, Lubetkin & Co., 41 Broad Street, New York 4, New York.

Also detailed circulars on **Foundation Co.; Fashion Park, Shatterproof Glass**, and **Wellman Engineering Co.**; and reports on practically all **Real Estate** issues in New York City.

Baker-Raulong Company—Analysis of condition and post-war prospects—F. H. Koller & Co. Inc., 111 Broadway, New York 6 N. Y.

Also available are analyses of **Liquidometer Corp., Delaware Rayon and New Bedford Rayon.**

Boston & Maine Railroad—circular—Adams & Peck, 63 Wall Street, New York 5, N. Y.

E. G. Brooke Iron Co.—Circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Chicago Railway Equipment Co.—Analysis of high leverage common stock—Sills, Minton & Co., Inc., 209 South La Salle St., Chicago 4, Ill.

Cleveland Cliffs Iron Co.—Analytical memorandum—Gillis Russell & Co., Union Commerce Building, Cleveland 14, Ohio.

Consolidated Cement Corp. Class A—Bulletin on recent developments—**Lerner & Co.,** 10 Post Office Square, Boston 9, Mass.

Also available are circulars on **Central Iron & Steel, Oregon Portland Cement.**

Consolidated Gas Utilities and **The Chicago Corp.**—Circulars—Hicks & Price, 231 South La Salle Street, Chicago 4. Ill.

Dayton Malleable Iron Co.—Study of outlook and speculative possibilities for appreciation for this company—Ward & Co., 120 Broadway, New York 5, N. Y. Also available are late memoranda on:

Great American Industries; Alabama Mills, Inc.; American Hardware; Douglas Shoe; TACA Airways; American Window Glass; Michigan Chemical; Lawrence Port. Cement; Oxford Paper; and Purolator Products.

Electromaster Inc. — Recent report — **Mercier, McDowell & Dolphyn,** Buhl Building, Detroit 26, Mich.

Also available a report on **Sheller Manufacturing Corp.**

Empire Steel—circular—J. F. Reilly & Co., 40 Exchange Place, New York 5, N. Y.

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Farrell-Birmingham Co.—Analysis—W. J. Banigan & Co., 50 Broadway, New York 4, N. Y.

General Public Utilities Corp.—Memorandum—G. A. Saxton & Co., Inc., 70 Pine St., New York 5, N. Y.

Also available is the current issue of **The Preferred Stock Guide** giving tabulated figures on preferred and common public utility stocks.

Greiss-Pfleger Tanning Co.—Descriptive circular—Amos Treat & Co., 40 Wall Street, New York 5, N. Y.

Gro-Cord Rubber — Recent analysis—Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

Hajoca Corp.—Circular on interesting possibilities—Hoit, Rose & Troster, 74 Trinity Place, New York 6, N. Y.

Also available is a memorandum on **Thermatomic Carbon Co.; Red Rock Bottlers,** and a new analysis of **Panama Coca-Cola.**

Johnson Automatics — Descriptive memorandum on low-priced building stock—Du Pont, Homsey Co., Shawmut Bank Building, Boston 9, Mass.

Le Roi Company — Study of common stock as a sound speculative purchase — First Colony Corporation, 70 Pine Street, New York 5, N. Y.

Also available are studies of **Pittsburgh Railways, Simplicity Pattern Co., Inc.,** and **Locomotive Firebox.**

Magnavox Company—Report—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Midland Realization and **Midland Utilities Common** — Revised bulletin—Doyle, O'Connor & Co., Inc., 135 South La Salle Street, Chicago 3, Ill.

The Miller-Wohl Company, Inc.—circular on this operator of a chain of retail stores selling popular-priced women's and children's apparel—Hardy & Co., 30 Broad Street, New York 4, N. Y.

National Radiator Co.—Analysis, for dealers only—**C. E. Unterberg & Co.,** 61 Broadway, New York 6, N. Y.

New England Lime Co.—Brief study of leverage possibilities—Dayton Haigney & Co., 75 Federal Street, Boston 10, Mass.

Ohio Water Service—Memorandum—Otis & Co., Terminal Tower, Cleveland 13, Ohio. Also circulars on **Leland Electric, U. S. Truck Lines, Inc.,** and **Standare Stoker Co.**

Reda Pump — Memorandum — Buckley Brothers, 1529 Walnut Street, Philadelpha 2, Pa.

Also memoranda on **Gear Grinding Machine** and **Textiles, Inc.**

Schenley Distillers Corporation—Brochure of articles they have been running in the Chronicle—write to Mark Merit, in care of **Schenley Distillers Corporation** 350 Fifth Avenue, New York 1 N. Y.

Tybor Stores — Analysis — Raymond & Co., 148 State Street, Boston 9, Mass. Ask for analysis TS.

Vinco Corp.—Circular — James M. Toolan & Co., 67 Wall Street, New York 5, N. Y.

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Morris Newman Back at Desk in New Orleans

NEW ORLEANS, LA. — Morris W. Newman, who has been serving as a Major in the Army Air Corps for the past four years, has resumed his duties as an officer of Newman, Brown & Co., Inc., Hibernia Bank Building.

Degenstein Rejoins Newburger & Hano in New York

Newburger & Hano, members of the New York Stock Exchange, announce that Major Lester E. Degenstein, recently released from the armed forces, has rejoined the firm as a general partner. He will make his headquarters at the New York office, 39 Broadway.

Lester E. Degenstein

Prior to his military service, Mr. Degenstein was located in the Philadelphia offices of the firm.

Dr. Szygowski With McMaster Hutchinson

CHICAGO, ILL. — McMaster Hutchinson & Co., 105 South La Salle Street, members of Chicago Stock Exchange, announce the association with their firm of Dr. Julius Szygowski, former Consul General of Poland in Chicago. Dr. Szygowski's consular service with Poland during the last 20 years began as Vice-Consul to Czechoslovakia and extended through Mexico as attache, back to Warsaw from 1931 to 1933 in the Foreign Office and then to Chicago as Consul until 1936. After a year as Consul in New York City, Dr. Szygowski was appointed Consul General of Western Canada with headquarters in Winnipeg until last year when he was appointed Consul General of 16 States in the Mid-West, headquarters in Chicago.

Dr. Szygowski's association with the firm was previously reported in the "Financial Chronicle" of Nov. 1.

Johnston V.-P. of Mullaney, Ross Co.

CHICAGO, ILL. — Mullaney, Ross & Co., 135 South La Salle Street, investment banking firm, announces the appointment of Major Frederick W. Johnston as a Vice-President. Major Johnston served overseas with the 158th Infantry during World War I and was recently released from the Army Air Forces, after serving over three and one-half years. Previous to his being commissioned in 1942 he was for 18 years in the investment banking business in Chicago.

Jas. Hendrix Resumes At Hendrix & Mayes

BIRMINGHAM, ALA. — James R. Hendrix, who has served as Lieutenant Commander in the U. S. Navy in the Pacific area for the past three years, is now back at his desk at Hendrix & Mayes, Inc., First National Building, of which he is Vice-President.

Joins The Ohio Company

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, O.—**Howard V. White** has rejoined the staff of **The Ohio Co.,** 51 North High St. after serving in the armed forces.

Responsibilities for Post-War Financing

By CLARENCE H. ADAMS*

President, National Association of Securities Commissioners

Holding That Furnishing Adequate Capital for Legitimate Business Is Vital to the Whole Scheme of Our National Life, Commissioner Adams Outlines the Responsibilities of Investment Banking and the Securities Commissioners in the Placement of Investments Among Investors and in Protecting War-Time Savings. Says Securities Industry Will Fulfill Its Responsibility If Not Shackled by Undue Restrictions and Regulations and Upholds NASD's Recent Action Requiring Registration of Traders and Salesmen Employed by Members. Maintains Freedom of Action Is Essential in Investment Field and Calls for Coordination and a Mutual Understanding of Each Other's Problems by the State and the Federal Securities Departments.

Clarence H. Adams

We meet in Annual Convention for the twenty-eighth time as an Association of Securities Commissioners of the States of the United States. It is altogether appropriate and fitting that we should hold our first post-war conference in the City of Chicago, for our Association was organized here on March 18, 1918, during the First World War.

The year has brought many changes in the personnel of our membership, and we cordially welcome the new members who have qualified since our last meeting, as well as those from states which have not hitherto taken an active part in the work of our Association. We are delighted to see several representatives of the Dominion of Canada and its Provinces. To the new, as well as the old members, let me say that it is your meeting, and the benefits derived therefrom will be measured largely by the effort each one of you puts into making its deliberations a success. I urge you, therefore, to enter freely and frankly into the discussions of the subjects presented in the full assurance that your opinions will be gratefully received and respected. It is also gratifying to see so many guests representing organizations having relation to our work. To each and every one of you, I extend a hearty welcome, and I earnestly hope that you too will actively participate in the discussions at this meeting. We are always delighted to have you with us. We have found you to be most helpful, and hope you derive benefits through knowing us better and gaining our viewpoint in matters relating to securities regulation.

With amazing suddenness, the war ended. We are all reverently thankful that right has prevailed over the ambitious greed and cunning rascality of international gangsters and once again we enjoy the benefits of that age-old theme, "Peace on Earth, Good Will Among Men." It is neither my province nor purpose to review generally those long, anxious and weary years, or to dwell upon the happiness and gratitude that we have all felt during the past few months, or to pay high tribute to the part our military and productive might took in achieving such a glorious victory against such ruthless enemies on both sides of the world. The mention of them only serves to emphasize that we are now in that indefinite period of history we have all been thinking about and discussing—"the post-war period." So we have selected as a general theme for this Conference what we consider to be a most timely and appropriate subject, "Financing in the Post-War Period and the Protection of Wartime Savings." The subject of furnishing adequate capital for legitimate business and

(Continued on page 2488)

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*An address by Commissioner Adams at the Annual Convention of the Association of Securities Commissioners, Edgewater Beach Hotel, Chicago, Ill., Nov. 16, 1945.

Wm. J. Mericka & Co. and Goshia & Co. Acquire Control of Bingham Stamping Company

TOLEDO, OHIO—The sale of controlling stock in the Bingham Stamping Company was announced today. Wm. J. Mericka & Co., Inc., of Cleveland, and Goshia & Co. of Toledo, have purchased approximately 53% of the outstanding shares of the company from the estate of C. O. Miniger and associated interests at $9.50 per share.

An offer to purchase the balance of the outstanding stock at the same price is being mailed to all other shareholders today. This offer will expire on Nov. 30.

The purchasers announced that there would be no change in the present operating personnel or the policies of the company. The executive personnel is composed of Louis E. Yunker, President and General Manager; George R. Roesch, Vice-President, and Elmer R. Baur, Treasurer, all of whom are retaining their present stock interest.

The stock was purchased as an investment.

We have prepared a revised bulletin on

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and
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"Financing Small Business"

By JOHN F. FENNELLY*

Glore, Forgan & Co.

In Pointing Out the Role of Investment Banking in the Attainment of an Economy of Full Employment, Mr. Fennelly Stresses the Need for New Capital Flotations, Estimated at $40 Billions, in Addition to Refundings and Foreign Loans. Says This Will Create a Strain on Investment Bankers and Urges That No Unnecessary Impediments Be Placed Upon Flow of Capital. Holds Problem of Small Business Financing Can Be Solved Not by Exemptions From Registrations but by Simplifying and Streamlining Federal and State Regulations and by Confining These Regulations to Protection From Frauds. Upholds Use of Stock Warrants as Compensation for Underwriting Small Issues and Calls for Mutual Understanding Between the Securties Industry and Regulating Authorities.

John F. Fennelly

I am delighted and flattered by the opportunity to address you here today. It seems to me quite clear that the securities commissioners of the nation and the members of the investment banking fraternity must share together some very serious responsibilities during the years that lie immediately ahead. It is important that each of our two groups understands clearly the nature of these responsibilities and be prepared to carry out its appropriate part of the common task.

By universal agreement the number one domestic problem which we face now that peace has returned is to find ways and means of attaining and maintaining satisfactory high levels of employment within the framework of our free society. It is a problem which will challenge the best in all of us, and which will require the utmost in cooperation among all segments of our economy; business, labor, agriculture, and last but not least, government at the national, state and local levels of authority.

During the past few years the American people have become generally aware of the importance of the post-war employment problem. We have been advised by many experts that the attainment of a satisfactory employment goal will mean an expansion of national output of goods and services somewhere between 30 to 50% over the immediate pre-war levels. Stated in dollars, this means we must raise our national income to somewhere around $140 to $150 billions in terms of present price levels, if we are to avoid a return of the spectre of mass unemployment which haunted us during all of the Thirties.

Role of Investment Banking in Full Employment

In public discussions of this problem too little attention has been paid to the vital role which must be played by all those who originate, distribute and supervise

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*An address by Mr. Fennelly before the Convention of the National Association of Securities Commissioners, Edgewater Beach Hotel. Chicago, Nov. 17, 1945.

(Continued on page 2489)

Illinois Personnels

(Special to THE FINANCIAL CHRONICLE)

AURORA, ILL. — **Edwin F. Mathieu** has joined the staff of **William H. Flentye & Co., Inc.**, Graham Building, after service in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Frederick J. King** and **Edwin A. Stephan** have become associated with **Fred W. Fairman & Co.**, 208 South La Salle St. Mr. King has recently been with the Office of Price Administration. Mr. Stephan was formerly a trader with Kebbon, McCormick & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Harold F. Miller** has joined the staff of **Glore, Forgan & Co.**, 135 South La Salle St. Mr. Miller has recently been in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Franklin G. Emrick has become associated with Fred W. Fairman & Co., 208 South La Salle Street. Mr. Emrick has recently been with the Reconstruction Finance Corporation. In the past he was with Mason, Moran & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL—Major Charles S. Galbreath has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, Board of Trade Building.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Sidney Ginsberg has become affiliated with Norman Mesirow, 135 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Paul J. Adelson has rejoined Rothschild & Co., 135 South La Salle Street, after two and one-half years of service in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, ILL.—James E. Hanselman has rejoined A. G. Edwards & Sons, Meyers Building, after two years' service in the U. S. Army.

Soos to Manage Dept. At Seasongood & Haas

Seasongood & Haas, 63 Wall St., New York City, members of the New York Stock Exchange, announce that George G. Soos, formerly with Reynolds & Co., is now associated with them as manager of their research department.

CONTINUOUS INTEREST IN:
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New Teletype for O. C. Johnson, Spokane

SPOKANE, WASH.—O. C. Johnson, Peyton Building, has installed a new teletype, Bell System SP 184.

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Canadian Securities

By BRUCE WILLIAMS

Are the economic problems of the British Commonwealth best solved by brilliant universal planners? With regard to Canada's proposed future trade relations with Britain it would appear that the contrary is suggested. In short the Dominion's record of filial devotion to the Mother Country is to be coldly disregarded. Britain is prepared to buy from Canada to the extent only that Canada buys from Britain. The willingness of the Dominion to bridge by credits Britain's temporary lack of Canadian dollars is unacceptable in Lord Keynes' ruthless scheme for Britain's economic survival.

So far the plan is practical albeit somewhat smacking of ingratitude. When however it is suggested that Canada establish branch plants in Britain to augment the British fund of Canadian dollars and thus permit maintenance of Canadian trade with Britain, the door is closed on wisdom and reason.

Admittedly Britain is momentarily economically impoverished but never was there such urgent necessity for the employment of British financial and commercial genius, which created in the City of London the center of world trade and finance. This was not achieved by professorial planning and bureaucratic state direction.

The practical business men and bankers who built up Britain's trading empire by unfettered individual enterprise would plan along entirely opposing lines. Instead of Canada going to Britain, Britain would go to Canada. What are the great Canadian economic assets? . . . her vast forests, her almost limitless resources of diversified minerals, her vast tracts of fertile soil, and last but not least her unrivalled hydro-electric power reserves and ideal factory sites. What are the outstanding Canadian deficiencies? . . . population, and the need of industrial expansion and greater exploitation of her undeveloped resources. Britain's surpluses of population and technical skills form the natural complement to Canada's corresponding deficiencies.

Moreover it must not be lost from view that with the coming of the air age Canada, situated at the center of the air-map, should logically displace the British Isles as the economic hub of the British Empire. The individual enterprise which has just established in Canada Britain's leading aircraft manufacturers, the Hawker-Siddeley group and the world famous firm of Rolls-Royce, are straws in the wind which indicate the natural trend.

Turning to the market for the past week, the belated upsurge finally got under way. All sections were beneficially affected. Institutional demand for high grades has accumulated to such a degree that only part can be satisfied at the current price level. After their recent slight recession Albertas made a strong recovery. The market supply of Montreals was completely absorbed and the way now seems clear for further steady advance. Saskatchewans, which have long been neglected, also shared in the general activity and changed hands at higher prices.

Internals were comparatively inactive but steady investment demand for internal bonds is likely to keep free funds at their peak point of 9¼-9⅛%, especially with the increasing confidence that sterling will be maintained at its current level.

With regard to future prospects, the rapidly declining yields and shrinking coupons on comparable domestic issues make Canadian bonds, with their large coupons and the multiple payment feature of most external issues, increasingly attractive for portfolio leavening purposes.

Menhall a Director of Liberty Aircraft

The election of E. A. Menhall, President of Highway Trailer Company, as a director of Liberty Aircraft Products Corporation, was announced by Oliver H. Payne, Chairman of the Board of Liberty. In this connection Mr. Payne disclosed that Liberty has acquired practically all of the outstanding common stock of Highway Trailer, incident to a postwar program of product diversification for Liberty which will enable Liberty to convert its surplus facilities at the Long Island plant to the output of freight trailers and other Highway Trailer products for distribution in the East.

E. A. Menhall

Liberty Aircraft previously owned about 62% of the common stock of Highway Trailer, which operates plants at Edgerton and Stoughton, Wis., and produces, in addition to trailers, public utility line construction equipment for the telephone, telegraph and power industries.

Diversiform Dishonesty

By EDWARD H. CASHION*

Counsel, Corporation Finance Division
Securities and Exchange Commission

Defining Fraud Under the Investment Company Act, Mr. Cashion Cites Cases Against United Funds Management Company, the First Investment Company of Concord, and the Aldred Investment Trust as Instances of Court Action Instigated by the SEC, Which Put a Stop to Dishonest Management. Holds the Investment Company Is Important in Our National Economy and Says Their Practice Standards Have Been Greatly Improved. Advocates a Broad Concept of Fraud, Without Strict Definition and States That at No Previous Time Has the Bulging Public Pocketbook Looked So Inviting to "Get-Rich-Quick Wallingfords"

At past meetings you gave me the opportunity to discuss with you certain aspects of fraud and dishonesty in connection with securities transactions. It is a problem which undoubtedly will be present in our economy so long as there exists a scramble for profits and power. It is a problem which day in and day out increases your responsibilities and burdens as it does ours. So long as there is any money in the public pocketbook, those who would promote ventures for their own profit will engage in fraudulent and deceitful practices in spite of any statutory attempt to prohibit them.

Edward H. Cashion

We are all fairly familiar with the great variety of fraudulent schemes designed to circumvent the various Federal and State securities laws in selling securities. We have been very successful in bringing to justice those who indulged in such schemes and, as Chairman Purcell said to you yesterday, "We may all be justly proud of the extent to which fraud has been suppressed."

In addition to its disclosure requirements the Securities Act of 1933, as you well know, was designed to prevent fraud in the distribution and sale of securities. The fraud prevention and disclosure provisions of that Act were strengthened by the enactment of the Securities Exchange Act of 1934. Last year I discussed Rule X-10B-5 adopted by the

(Continued on page 2471)

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*An address by Mr. Cashion before the National Association of Securities Commissioners, Chicago, Ill., Nov. 17, 1945.

The Stock Broker, the Public—and Regulation

By WILLIAM M. COOPER*

President, Stock Brokers Associates of Chicago

Mr. Cooper Describes the Functions and Activities of the Stock Brokers' Associates of Chicago and Outlines the Educational Background and Experience of Customers' Men That Will Best Serve the Public's Investment Needs. Maintain That the Customer's Man Is Best Equipped to Serve the Public in Establishing Confidential Relations Between Brokers and Customers. Says We Must Guard Against Regulating Ourselves Out of Fundamental Rights and Contends That Securities Business Is Now Done "in the Goldfish Bowl."

It is a pleasure and a deeply appreciated honor for me to appear before you this afternoon. Our organization, The Stock Brokers' Associates of Chicago, welcomes this rare opportunity to tell you who we are and why we are, and in addition, some of the things we have learned ities, the public and regulation.

William M. Cooper

Our membership consists solely of Registered Representatives of firms holding memberships on Registered Stock Exchanges, chiefly, of course, the New York Stock Exchange, New York Curb and Chicago Stock Exchange. We, **as a group**, are very exclusive. Partners are ineligible. We do not represent the capital in the business. We **DO** represent what we believe to be a very important segment of the American Securities Industry—the direct contact with the American public. In the Securities Industry we are the connecting link between the financial needs of American Business on the one hand and the great American Investing Public on the other hand. Our experience and background and therefore our viewpoint and attitude, may differ from yours just as it may differ from that of the Board of Governors of the New York Stock Exchange on matters of detail, method or approach, but the objectives and aims of all of us are the same—how best to serve the financing needs of business, and the investment needs of the public; the maintenance of orderly markets, liquid markets, honest markets and the conduct of our business on a high ethical plane, second to none.

I never tire talking of the securities business—more particularly the Stock Market, yet it is surprising how many people—yes even people in our business—fail to grasp the fundamental significance of what the market is all about. Too many people have a vague feeling that its ups and downs are a meaningless, senseless affair. I am reminded of a story—To the uninformed public the daily ups and downs of our markets are just as hard to understand. It is not my purpose here to go into the highly interesting subject of what makes a stock worth so much. I believe we all agree that the best interests of the country are served by maintain-

(Continued on poge 2490)

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*An address made by Mr. Cooper before the National Association of Securities Commissioners. Edgewater Beach Hotel, Chicago, Ill. on Nov. 16, 1945.

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Ohio Municipal Comment

By J. AUSTIN WHITE

To sit in a hotel lobby in Findlay and write about Ohio municipals when one could be hunting pheasants, is carrying the line of duty too far. But, if this comment is no more boring to the one (we had almost said ones) who reads it, than to the one who is writing it, perhaps we can both stand a few minutes of it until the rain stops and we can get back out in the field.

J. Austin White

The most important and at the same time the most welcome news to those who like to buy and handle Ohio municipals is the fact that a good many bonds were voted here on Nov. 6, and we hope that the supply of good Ohio names suited to the Ohio market will be worthwhile — if only we do not have to wait too long to get some of the bonds that were voted.

On election day this year a tiotal of $105,763,378 of bonds was submitted to the voters in this state. The latest report we have seen of the Ohio Municipal Advisory Council (which is the most reliable source of information about Ohio municipals, and is used by specialists in Ohio bonds in preference to any other source, even in preference to "official" statements of public officials) covers $102,172,237 of these bonds, with preliminary and in some cases unofficial figures. This report indicates that $77,315,037 of bonds were approved and $24,857,200 were not approved. In the entire year of 1944 a total of $57,102,664 of bonds was submitted with $53,724.164 approved.

The amount approved in 1944 had set an all time high record, but some $25,000,000 more bonds were voted 11/6/45 than were voted even in 1944. When one considers that many of the bonds voted in 1944, and some voted even before then, have not yet been issued, due largely to the inability to secure materials for construction, it is obvious that when this backlog of issues is added to the large total voted this year, the supply of Ohios that will be available should be much larger than during the past couple of years.

It is difficult to predict when these issues will actually become available. Many of the bonds will be issued over a period running up to five years. For example, Columbus city and school district and Franklin County voted $24,700.000 this year for comprehensive postwar plans that contemplate construction spread over several years. Dayton city and school district and Montgomery County voted $13,500,000 of bonds with similar plans. Last year Cincinnati city and school district and Hamilton County voted $41,000,000 of bonds to be issued over a period of five years (and $9,000,000 of the total were sold this year).

We anticipate, however, that Ohio bonds should start coming into the market in larger volume by January, 1946, and that the volume should increase gradually in the following months, so that the supply should be worthwhile throughout 1946.

It may be interesting, and worthwhile, to consider the comprehensive territory and names covered by recent approvals. Of the $53,724,164 of bonds voted in 1944 large issues of $1,000,000 or more accounted for $46,980,000, leaving only $6,744,164 of small issues. On the other hand, of the $77,315,000 so far reported approved on 11/6/45, large issues of $1,000,000 or more account for $58,046,000, leaving $19,269,000 of smaller issues.

If one assumes that the large issues will be sold in the general municipal market, and the small issues will generally be sold around in Ohio, then one can see at a glance that almost three times as many bonds that can be expected to sell in the Ohio market were voted 11/6/45 as were voted in 1944.

Actually, we reckon that the supply of Ohio bonds that can be expected to sell in the local Ohio market will be some four or five times the volume we have seen during the past two or three years.

In talking with a few bankers since the election, who are largely buyers of Ohios, we have found none who is concerned that this increase in the supply of Ohios will cause prices to recede. Moreover, the supply of Ohios that may be available in the general municipal market will not, in our opinion, cause the price level to recede. In the first 10 months of 1945 some $688,000,000 of new issues of municipals are reported to have been sold over the country. In comparison with such a volume of bonds neither the $78,000,000 voted in Ohio this year, nor the total of this amount and the $54,000,000 voted last year, would seem to cause much overall increase. Moreover, from information we have, subdivisions in other states did not vote bonds (nor even submit them to the voters) in such volume as we have here in Ohio.

Probably the best news, for local Ohio buyers, is that there should be a larger variety of names offered in the next year or two, including some very choice credits. However, with the market as barren as it is now, and as it has been for many months, at least the early issues of choice names should be snapped up without much chance for a buyer to shop around, or to wait and consider.

Ohio Municipal Price Index

Date—	*	†	‡	§
Nov. 14, 1945	1.32%	1.50%	1.15%	.35%
Nov. 7	1.33	1.51	1.16	.35
Oct. 31	1.34	1.51	1.16	.35
Oct. 24	1.35	1.52	1.17	.35
Oct. 17	1.36	1.54	1.18	.36
Sep. 19	1.38	1.58	1.18	.40
Aug. 17	1.40	1.62	1.17	.45
July 18	1.22	1.42	1.02	.40
June 20	1.20	1.39	1.01	.38
May 16	1.19	1.35	1.02	.33
Apr. 18	1.19	1.34	1.03	.31
Mar. 14	1.27	1.43	1.11	.32
Feb. 14	1.30	1.47	1.14	.33
Jan. 17	1.33	1.49	1.17	.32
Dec. 13, 1944	1.34	1.51	1.18	.33
Nov. 15	1.36	1.53	1.19	.34
Jan. 1, 1944	1.41	1.58	1.23	.35
Jan. 1, 1943	1.83	2.01	1.65	.36
Jan. 1, 1942	1.92	2.13	1.70	.43
Jan. 1, 1941	1.88	2.14	1.62	.52
Jan. 1, 1940	2.30	2.58	2.01	.57
Jan. 1, 1939	2.78	3.33	2.24	1.09
Jan. 1, 1938	2.98	3.42	2.55	.87

*Composite index for 20 bonds. †10 lower grade bonds. ‡10 higher grade bonds. §Spread between high grade and lower grade bonds.

Foregoing data compiled by J. A. White & Co., Cincinnati.

Stanton Aby Rejoins Kalman Municipal Dept.

MINNEAPOLIS, MINN.—Stanton Aby has again become associated with the Municipal Department of Kalman and Company, McKnight Building, Minneapolis, after serving as First Lieutenant in the Finance Corps of the United States Army for over three years, it is announced.

Ohio Brevities

M. A. Hanna Co., Cleveland coal, ore, dock and vessel company, has notified common stockholders that a total of $3,055,000 has been set aside for the purchase of up to 65,000 shares of the company's common at $47 a share.

The letter stated "There are now some estates that are owners of Hanna common stock that desire to sell some of this stock along with other securities to raise money for inheritance tax payments. They are willing to accept $47 a share for some substantial blocks of the shares although the current market for more limited amounts of stock is quoted at from $53 to $55 per share.

"We are not asking any stockholder to sell his stock, we are simply presenting the opportunity in accordance with the terms of the charter, under which every stockholder is entitled to an equal opportunity to sell his stock at the same price."

* * *

Directors of the Federal Reserve Bank of Cleveland have elected William H. Fletcher as First Vice-President, President Ray M. Gidney announced.

Fletcher moves into the post formerly held by Reuben B. Hays, who resigned for the position of Executive Vice-President of the First National Bank of Cincinnati, eighth largest in the Fourth Federal Reserve district.

Fletcher as Vice-President was in charge of bank examinations, bank relations, and the credit, loans and discounts departments. He was a national bank examiner in 1918 when he joined the Federal Reserve Bank as manager of its accounting department.

Hays, who will leave the bank Nov. 30, after ten years on the staff, began his business career as a public relations executive in New York City soon after graduating from Columbia University in 1925.

* * *

Acquisition of three companies in and near Cleveland was reported in the past two weeks.

Maguire Industries, Inc., with six plants throughout the East and two in Illinois, purchased the Radiart Corp. of Cleveland, manufacturer of radio parts and accessories, according to President Russell Maguire.

The Maguire company has bought all common and preferred stock of the company from Louis K. Wildberg and William H. Lamar and will operate Radiart as a wholly-owned subsidiary.

Radiart is the fifth company to be acquired this year by Maguire, an industrial enterprise created by the President in 1939 without government financing or funded debt. It has expanded into electronics, railroad aviation and marine communications equipment, radio-phonographs, automatic record changers, powder metallurgy items, centrifuge separators and similar products.

The second Cleveland concern is Industrial Fabricators, Inc., acquired by Woodall Industries, Inc., of Detroit. The price was not disclosed but the Cleveland company had sales of approximately $1,000,000 annually. Woodall makes and processes materials used in automobile interiors and sound absorptive substances.

H. B. Salter Manufacturing Co. of Marysville, O., has taken over the Glauber Brass Manufacturing Co. of Kinsman, O., adding 45,000 square feet to its 105,000 square feet of space. The consolidated facilities will be used for the production of a complete line of brass plumbing goods.

* * *

White Motor Co. made two important announcements.

First, construction has started on a new $1,000,000 plant for the manufacture of White Motor trucks and busses in Montreal, Canada.

The company's trucks and busses have been partially built in Canada ever since the earliest days of the automotive industry, but the new facilities will permit the production of component parts as well as complete vehicles, the statement said.

The other announcement was the appointment of William J. Cumming as superintendent of field service operations.

Cumming, for three years chief of the maintenance section of ODT, has had extensive experience in the motor transportation field. He is the author of a book on "Automotive Diesel Maintenance" and has written many technical articles for national publications. Besides, he designed the first U. S. Army 4 x 4 truck in 1920.

* * *

W. R. McKenney was promoted to sales promotion manager of Glidden Co. He is a veteran in the paint and varnish industry, having been connected with the Forbes Varnish Co. for the past 20 years.

* * *

L. A. Woolsey, Vice-President and sales promotion manage of the White Sewing Machine Co., announced appointment of George O. Gould as advertising manager of the company.

H. Ream Baker Forms Own Firm in L. A.

LOS ANGELES, CALIF.—H. Ream Baker has formed H. R. Baker & Co. with offices at 210 West Seventh Street, to engage in a securities business. Mr. Baker was senior partner of the former firm of H. R. Baker & Co. from 1933 to February 1945.

Sidney Congdon Heads Ohio Bankers Group

CLEVELAND, OHIO—The new Chairman of Group Nine of the Ohio Bankers Association is Sidney B. Congdon, President of the National City Bank of Cleveland.

Paul Jones of the Phoenix Bank of Medina, O., was elected Vice-Chairman and Louis A. Wild of the Union Bank of Commerce of Cleveland, was renamed Secretary-Treasurer.

Among the several speakers were E. T. H. Bennett, Vice-President of the Peoples-Pittsburgh Trust Co., Pittsburgh; N. R. Howard, editor of the "Cleveland News"; Russell Weisman, chief editorial writer of the Cleveland "Plain Dealer"; H. E. Cook, Ohio State Superintendent of Banks; Harold Bredlow, Executive Secretary of the Ohio War Finance Committee, and David M. Auch, Secretary of the Ohio Bankers Association. Group Nine takes in nine northeastern Ohio counties.

Warren Wick Mgr. of Goodbody Dept.

CLEVELAND, OHIO — Warren C. Wick, connected with Cleveland banking for 30 years, has been placed in charge of the bond department of Goodbody & Co., National City Bank Building.

Mr. Wick, who started his banking career as manager of the new business department of the old First National Bank, leaves Curtiss, House & Co., where he has been the last ten years. He is Vice-President and a director of Wick Investment Co.

C. A. McLaughlin Forms Firm

Charles A. McLaughlin has formed McLaughlin Securities Co. with offices at 2 Broadway, New York City, to engage in the securities business.

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War Financing—Some Implications for the Future

By DANIEL W. BELL*

Under Secretary of the Treasury

Treasury Official Reviews War Financing and Estimates That of $323 Billions of Government Spending, $133 Billions Came From Taxes and Deficit of $190 Billions Was Covered by Borrowing. Holds Government Loans Were "Tailored" to Suit All Classes of Investors and Each Class Holds Securities Appropriate to It. Sees No "Inflationary Dollars" in the Expansion of Currency and Bank Deposits and Contends Low Interest Rates Are Generally Beneficial and Business and Individuals Are in Healthier Condition Than Ever Before. Hopes for Treasury Surplus to Retire Debt Continuously.

It is a pleasure to be here today to speak to the members of the Association of Stock Exchange Firms. I know that you folks have worked hard to help put across our war bond drives, and I want to express the appreciation of the Treasury for your fine cooperation.

Daniel W. Bell

I would like to speak to you this evening about the sources of war financing and the implications for the future. The post-war management of the debt really began when war financing started. How the debt was distributed by investor classes, the maturity structure of the debt, the interest rate policy—these are all important factors which had to be determined step by step in financing the war, and which, together, determined post-war management of the debt at its very core. It is like putting up a building—you must do your planning in the blueprint stage in order to have the building successfully arranged when it is completed.

You members of the financial community are closer to this subject than are most of our citizens. I hope you will bear with me as I draw on a good many figures in an effort to analyze the financing story from the point of view of the income flow of the country and the integration of the war bond program to that income flow.

For convenience, let's begin by reviewing the size of the job from July 1, 1940, when the defense program began, to June 30, 1945, the approximate end of the Seventh War Loan. In these five fiscal years the Federal Government spent in all $323 billion, of which $290 billion was directly for national defense and for war. Of the remaining $33 billion, slightly over half was for items indirectly connected with the war—interest on the public debt, veterans' benefits, and tax refunds—with the other half covering mostly the regular costs of government.

As against $323 billion of expenditures, tax receipts brought into the Federal Government $133 billion, leaving a deficit of $190 billion. You know that this deficit was financed mainly by war loans and a regular payroll savings program as well as by offerings of securities in the market in the early part of the period. What have been the effects of this financing on the economy during the war? What are the implications for the future?

The tremendous importance of Government buying in the market place during the war period is evident from the fact that Federal Government spending accounted for $323 billion out of aggregate spending of $833 billion during the five-year period. This latter figure, by the way, would be cited by the statisticians as 8/10ths of a trillion dollars. These figures show that the Government accounted for close to 40% of the aggregate spending taking place throughout the country. The remaining $510 billion of spending was accounted for by $428 billion of spending by consumers, $41 billion by business for capital goods, and $41 billion by State and local governmental units.

The Government share of total spending in this war reached a peak of almost 50% in the fiscal

(Continued on page 2486)

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*An address by Secretary Bell before the Association of Stock Exchange Firms at the Hotel Commodore, New York City, Nov. 19, 1945.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

The Chairmen of all Committees are asked to sit in at the meeting of the Executive Council of the National Security Traders Association, Inc. to be held in Chicago on Nov. 29.

FLORIDA BOND TRADERS' CLUB

The Florida Bond Traders' Club and its affiliate, the Florida Security Dealers Association, will hold its regular meeting for the year 1945 at The Inn, Ponte Vedra Beach, Florida, on Dec. 6, 7 and 8. A large attendance of members from all parts of the State is expected.

The Ponte Vedra Inn is located on the Atlantic Ocean 20 miles from Jacksonville, and according to many of its guests (in addition to the management) is one of the South's loveliest spots. The 18 hole golf course, adjacent to the Inn, is of championship length and has been chosen more than once for the sectional qualifying rounds of the National Open.

This meeting is expected to mark the resumption of activities on the part of the Florida Association, and is the first meeting of the entire Club since America's entry into the war. There will be no formal speeches, but general discussion of Association policies and objectives. Any investment dealer who should be in the neighborhood of Jacksonville on those dates is cordially invited to drop in. The Association guarantees food and drink, good fellowship and golf, but does not guarantee hotel accommodations for non-members.

Geo. Jacquemot V.-P. of Distributors Group

George A. Jacquemot has been elected a Vice-President of Distributors Group, Incorporated, 63 Wall Street, New York City. His election to this post marks his return to the organization after more than three years of military service, in the European theater as a commanding officer of an L. S. T. and subsequently as a commander of a group of L. C. I.'s in the Pacific.

Geo. A. Jacquemot

Boston Forum On Open-End Inv. Cos.

BOSTON, MASS.—Vance, Sanders & Co. announce that the two and one-half day educational conference, to be held in connection with this year's Boston Forum on open-end investment companies will open Wednesday morning, Dec. 5, and conclude with the Forum on Friday afternoon, Dec. 7. All sessions of the conference, designed primarily as a "refresher course" for former servicemen, will be held in the charter room of the New England Mutual Building, Boston.

Henry T. Vance, of Vance, Sanders & Co., will open the morning session on Dec. 5. Mayo Adams Shattuck, an authority on trustee practice, will be a speaker and Vernon B. Hitchins, trust officer of the State Street Trust Co., Boston, will discuss the custody of assets of open-end investment companies.

At the afternoon session on that day, Warren Motley of the law firm of Gaston, Snow, Rice & Boyd, will speak on "Federal Regulation of Investment Companies." Harry I. Prankard, of Prankard & Zimmerman, accountant and auditors, will speak on "Federal Taxation of Investment Companies and their Shareholders."

On Thursday morning, Dec. 6, Charles F. Eaton, Jr., of Eaton & Howard, Inc., investment counsel, will discuss "Managing the Investment Portfolio of the Investment Company." Henry W. Dunn, Professor of Finance Emeritus of the Harvard Graduate School of Business Administration, will speak on "Fallacies and Facts About Common Stock Investment."

On Thursday afternoon, the speakers will be Dorsey Richardson, Vice-President of the Lehman Corporation, who will review aspects of closed-end investment companies. Merrill Griswold, Chairman of Massachusetts Investors Trust, will talk on "Dividend Policies of Open-end Investment Companies—Are Capital Gains Distributions Spendable Income."

The Friday morning session will be devoted to a forum-type discussion of "Venture Capital." Speakers will include Charles C. Abbott, Associate Professor of Business Economics, Harvard Graduate School of Business Administration, and James J. Minot, partner of Paine, Webber, Jackson & Curtis, who will discuss "Venture Capital—The Investment Banker and the Investment Trust."

All sessions of the conference will be open to investment dealers and their salesmen generally, as well as to returning servicemen.

Investments Discussed

By ROGER W. BABSON

Mr. Babson Recommends Investment of Funds in Diversified List of Dividend-Paying Common Stocks and Victory Bonds.

This column is no place to discuss investing for profits. Stock market profits are too risky for a reader to strive for without competent impartial advice. Readers are, however, justified — even from a safety point of view — in putting part of their money in good dividend-paying stocks listed on the New York Exchange.

Roger W. Babson

Why Buy Stocks

Interest rates on savings are now very low. The best banks pay only from 1 to 2%. No interest is received on checking accounts. Most good corporation bonds yield much more than government bonds. I do not care much for preferred stocks unless they are noncallable. This means that if one has $1,000 to invest he would do well to put $500 in Victory Bonds (my cousin Paul T. Babson figures the "E" U. S. Bonds yield 3.30%) and $500 in the capital stock of some good dividend-paying company listed on the New York Stock Exchange.

As an illustration, I mention the following 32 companies which have paid dividends every year for over 40 years:

- American Tel. & Tel. (utility).
- Borden Co. (food prod.).
- Colg.-Palm.-Peet (soap mfg.).
- Commonw. Edison (utility).
- Cont. Insurance (insurance).
- Diamond Match (misc.)
- Dow Chemical (chemical).
- Eastman Kodak (misc.).
- General Elec. (elec. equip.).
- Ins. Co. of N. Amer. (insurance).
- Kroger Grocery (ret. trade).
- National Biscuit (food prod.).
- Norfolk & Western (railroad).
- Otis Elevator (mchy. & equip).
- Parke, Davis (drug prod.).
- Pennsylvania RR. (railroad).
- Pennsylvania Salt (misc.).
- Pepperell Mfg. (textile).
- Pfizer (Chas.) (chemical).
- Philadelphia Electric (utility).
- Pitts. & Lake Erie (RR.)
- Pitts. Plate Glass (glass mfg.).
- Procter & Gamble (soap mfg.).
- Pullman, Inc. (rail equip.).
- Sherwin-Williams (paint var.).
- Standard Oil Indiana (oil).
- Standard Oil N. J. (oil).
- Texas Co. (oil).
- Union Pacific (railroad).
- United Fruit (food prod.).
- West Va. P. & P. (paper mfg.).
- Westinghouse Air Br. (rail. eq.).

Importance of Diversification

The $500 above mentioned should, however, be divided among five, or perhaps ten, good stocks. Looking back over the 40 years during which time I have invested for clients probably several billion dollars, I have been greatly impressed by the importance of diversification. This means that you should not put all your eggs in one basket.

If you have good dividend-paying stocks, well diversified, and invest whenever you have the money, irrespective of market conditions, you should average up well in the long run. In such a case, however, you should forget all about booms and panics and not be bothered about quotations or what your friends say about the stock market. Buy stocks for safety and yield.

How to Diversify

The most important feature of diversification is the proper distribution of funds between investments which are fairly stable in their price action on the one hand, and those which historical experience has taught us will prove volatile in their price actions on the other hand.

Generally speaking, I advise working along the lines of reducing commitments in the railroad, coal, automobile, airplane manufacturing and household appliance industries. A careful scrutiny of the selling prices for many stocks leads me to the conclusion that prices are beginning to outrun even the most optimistic estimates of future earnings.

What Industries Look Best

In my opinion, the following industries are favorably situated and the prices of their stocks have not generally discounted prospects:

- Railway equipment
- Oil
- Labor saving machinery
- Steel
- Copper
- Electrical equipment
- Variety chains
- Chemicals
- Casualty insurance

However, it is never wise to select a group of stocks merely on industry prospects. Seemingly adverse developments may oftentimes help a given industry. For example, if the Full Employment Bill should pass as originally drawn, the effect of such spending would be very stimulating to a number of lines, including variety and food chains.

While the effects of inflation will be evident everywhere in 1946, I warn against over-optimism. During recent years, I have continually urged readers to maintain a large part of their assets in common stocks. Next year many thoughtless speculators may be attracted to the stock market, but they may find they are coming in at the end of the party. The wise investor will use periods of over-optimism and high spirit to batten down his hatches and prepare for the coming storm. Proper diversification is the first step in such a constructive program.

Denver Dealers Will Hear Harold H. Young

DENVER, COLO.—Harold H. Young, Eastman, Dillon & Co., New York City, will address a joint luncheon meeting of the Rocky Mountain Group of the Investment Bankers Association and the Bond Club of Denver on Dec. 4. Mr. Young will speak on the subject of public utilities.

The meeting will be held on Tuesday, Dec. 4, at 12:30 p.m. in the Mural Room of the Albany Hotel. As reservations are a definite problem, it is urged that all planning to attend purchase their luncheon tickets well in advance as the number available is limited.

Tickets may be obtained from Bernard Kennedy, Bosworth, Chanute, Loughridge & Co.; Elsie Pulham, Boettcher & Co.; Edward Hanifen, McCabe, Hanifen & Co.; Ernest Stone, Stone, Moore & Co.; Philip Clark, Amos C. Sudler & Co.; or Earl M. Scanlan, Earl M. Scanlan & Co.

Philco Introduces Expanded Line of Products

Corporation Reveals Reconversion Program With $7,000,000 Expenditure for New Facilities for Manufacturing Refrigerators, Freezers, and Air Conditioners. Its Production Plan for 4,000,000 Radio Receivers in 1946 Will Far Exceed Previous Records In the Industry.

John Ballantyne

In addition to its radio business, Philco Corporation is widely expanding its line of products to include refrigerators, freezers, and air conditioners, it was announced by President John Ballantyne at a preview of the 1946 line of Philco products in New York City November 19.

"Philco is spending $7,000,000 on its reconversion program for new facilities and to design and tool up for completely new postwar lines of radio sets, radio-phonographs, refrigerators, freezers, and air conditioners," Mr. Ballantyne said. "A large plant to cost upwards to $1,000,000 for the manufacture of radio-phonographs is now under construction in Philadelphia. We believe that the public demand for all our products is far greater than ever before, but people definitely want brand-new merchandise, embodying the very latest ideas — not 'warmed-over' lines—and Philco has gone 'all-out' in the return to peacetime business to offer its distributors, dealers, and the public far better merchandise and greater values than ever before."

Plans to manufacture 4,000,000 radio receivers in 1946, nearly twice as many as its production in the last peacetime year, and exceeding the output of any other company in the history of the radio industry, were also disclosed by Mr. Ballantyne.

Featuring the radio line are the revolutionary new Philco Advanced FM circuit, the first true FM detector ever invented for commercial radio, a portable radio employing the war-developed miniature tubes, and new ideas in styling designed to blend with the most modern types of architecture and home furnishing.

In radio-phonographs, Philco is introducing an automatic record player that is said to make the single-record, manual radio-phonograph obsolete. In the new Philco, you have only to put a record of any size in a specially designed slot and the rest of the operation is automatic. The motor starts, the tone arm places itself, the music plays and the motor stops when the record is finished —all automatically.

Philco also introduces two new automatic record changers incorporating the results of a consumer and dealer preference survey. The new Philco De Luxe Record Changer operates on the "push-off" principle and changes 10 12-inch or 12 10-inch records with great rapidity. A removable spindle in the center of the turntable facilitates loading or unloading of records, and by its special design makes it absolutely impossible for the mechanism to release more than one record at a time for reproduction.

12 New Refrigerators

The newly-designed line of 12 postwar refrigerators introduced by Philco range in size from the nine-foot Philco Advanced Design with 16.4 square feet of shelf space, large freezer locker, Conservador Shelf-lined inner door, and capacity of 84 ice cubes to Model 622 with 13.3 square feet of shelf space, large freezer locker, and ice capacity of 56 cubes. Every model in the Philco refrigerator line includes a large freezer locker, which the company was first to offer the public in 1940, "Easy Out" ice trays, vegetable crisper, covered meat storage compartment and vegetable bin.

All the new Philco refrigerators incorporate the Philco Super Power System, the hermetically sealed power unit built with methods of precision manufacture never before used in refrigeration. This unit gives surplus power and extra-fast freezing, new quietness of operation and freedom from vibration.

Philco Freezers Introduced

To serve the fast growing market for frozen foods storage facilities, Philco is introducing four freezers. The smallest of these is a 2½ cubic foot freezer that reaches 25 degrees below zero. A unique feature of this unit, as well as all other Philco freezers, is a warning bell which rings automatically in the event of a blown fuse or electric power stoppage. Other Philco freezers have a capacity of 5 cubic feet, 7½ cubic feet, and 10 cubic feet, the two largest sizes being upright models.

Views of SEC on Tax Reductions

The views of the Securities and Exchange Commission on the treatment of "tax savings" in profit and loss statements intended to reflect actual results of past operations were published on Nov. 13, the Associated Press reported from Philadelphia, adding that the statement had declared, "It is our view that the amounts shown should be in accordance with historical facts and should not be more 'normal' or likely to recur in future years." From the Associated Press we also quote:

The problems of tax savings which have an important bearing upon income statements frequently occur in registrations and financial statements filed with the SEC and the commission will be guided by these views in future considerations of such cases.

The tax savings (or reductions, as the SEC calls them) arise because certain costs or expenses deducted in computing the amount of income taxes actually payable are not also treated as charges against income in the current income account. Under such circumstances, some companies and accountants include in the income accounts a special "charge in lieu of income taxes" equal in amount to the reduction in taxes attributed to such excluded costs.

In other cases, the provision for income taxes does not reflect the estimated actual taxes payable, but is increased to reflect the amount that would have been payable had not such excluded charges been deducted for tax purposes.

When income taxes have been reduced by deductions for tax purposes and items deferred or charged to surplus in the accounts, the commission said, part of such items might in appropriate cases, be charged to income, ordinarily as the nature of the item is clearly disclosed.

Estes, Snyder & Co. Reopens in Topeka

TOPEKA, KANS.—The firm of Estes, Snyder & Company, which has been closed for the past three years, due to the fact that both partners were in the armed forces, has resumed business from offices in the National Bank of Topeka Building.

Ulen Names Winkler Economic Adviser

Dr. Max Winkler

In order to keep informed on economic and financial conditions abroad, where the major portion of its properties are located, and for the purpose of being aided in their efforts more accurately to appraise the corporation's status in the light of foreign developments, the board of directors of the Ulen Realization Corporation has named Dr. Max Winkler, a recognized authority on international affairs, as Economic Adviser.

Dr. Winkler has for many years been intimately connected with all problems pertaining to foreign economics, and has for three years acted as Economic Adviser to a Senate Sub-Committee of Banking and Currency and as Financial Editor of the "North American Newspaper Alliance (NANA). He is the founder of the American Council of Foreign Bondholders, an Associate Professor of Economics in the College of the City of New York and a member of the Stock Exchange firm of Bernard, Winkler & Company.

Foster & Marshall Add Taylor & Meyer; In Larger Quarters

SEATTLE, WASH. — Foster & Marshall, members of the New York Stock Exchange, announce that Donald A. Meyer has become associated with the firm as Manager of the Municipal and Canadian Bond Department. C. Arnold Taylor has become associated with the Trading Department. Mr. Meyer, who has been serving in the Air Corps as a Major for the past three and one-half years, was previously with Bramhall & Stein and prior thereto was associated with Drumheller, Ehrlichman Company (now Pacific Northwest Company) in the Trading Department. Mr. Taylor, who has just been discharged from the Coast Guard, was formerly with Merrill Lynch, Pierce, Fenner & Beane.

Foster & Marshall also announce that they have removed their offices to new and larger quarters at 820 Second Avenue, now occupying five times the space of their previous location.

Lawrence Miller Rejoins Staff of G. H. Walker

ST. LOUIS, MO.—Lawrence G. Miller, who had been connected with G. H. Walker & Co. since 1931 prior to entering the Army, has returned to our organization after having been honorably discharged from the Army Air Forces as a Major. The firm, which is a member of the New York, St. Louis and Chicago Stock Exchanges, is located at Broadway & Locust.

Horkins Securities Corp.

Horkins Securities Corporation has been formed with offices at 70 East 45th Street, New York City, to engage in the securities business. Officers are Ralph Horton, President and Treasurer; Thomas Lee Perkins, Vice-President, and Robert B. Tyler, Secretary. Mr. Perkins was formerly a partner in Pemberton Berman & Co.

Commercial Banks Enter Instalm't Finance Fiel

A Billion Dollar Annual Volume is Anticipated. William B. Hall, Vic
Household Appliances. Will Not Compete for Automobile Paper, bu
A Billion Dollar Annual Volume is Anticipated. William B. Hall, Vic
President of The Detroit Bank, is Appointed "Coordinator" for th
Participating Banks.

The National Sales Finance Plan, an arrangement whereby 1,00 commercial banks throughout the country will finance installmen sales to dealers as well as to consumers, will become operative in its initial stages Monday, November 26. The organization, covering 37 states east of the Rocky Mountanis, is composed of 12 "signatory" banks who will supervise the operations of 100 "Key" Banks serving the important trade areas. who in turn will be coordinated with about 900 smaller banks in their respective adjacent communities.

Operations will begin in the household appliance field, it being understood that arrangements are already being made with refrigerator manufacturers for making available to their dealers facilities for uniform nationwide financing of their merchandise. The automobile field will not be touched, for the present at least, but a billion dollar volume when consumer durable goods become plentiful, is anticipated by the participants.

Spokesmen for the plan assert their ability to render a "streamlined" public service through reduction of overall costs of installment financing to the consumer. No extra steps will be required of the purchaser to obtain the benefits of bank financing. Forms to be signed "on the dotted line" will be available in retail stores carrying manufacturers' goods which the banking group has agreed to finance.

The type of manufacturer's contract which has been worked out by the participating banks does not tie up a manufacturer "exclusively." Thus, a television manufacturer or a refrigerator manufacturer can sign an agreement with the National Sales Finance Plan in addition to his arrangements with other financing agencies.

The market in which the banks expect to obtain their share is a substantial one. Before the war, the American public purchased the majority of all capital goods on time, and about 69 per cent of merchandise sold in household appliance stores was bought on the installment plan.

Formation of the National Sales Finance Plan goes back to early 1944 when a group of banks met in New York to discuss participation in consumer credit from which banking had been largely excluded before the war by its inability to make contracts with manufacturers covering sales arrangements over a wide geographical area.

Wm. B. Hall, former vice-pres. of The Detroit Bank, has assume the post of "Coordinator" c installment operations of the 1,00 participating banks. Mr. Hal whose headquarters will be i Chicago, is a consumer financ specialist. He established, devel oped and supervised the Tim Credit Department of The Detroi Bank, and he previously operate a finance company and an indus trial bank in Michigan.

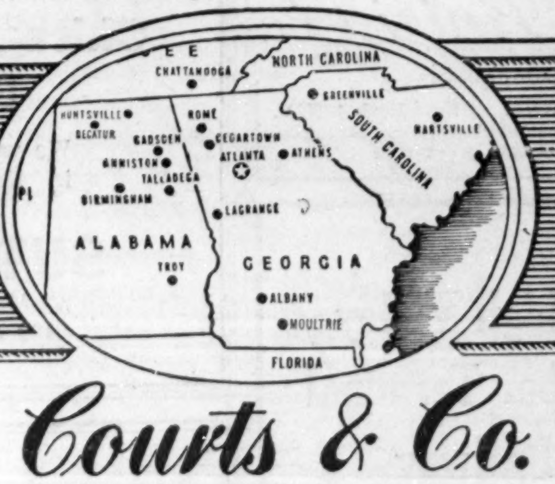
The 12 "signatory" banks whic have taken the lead in organizin the Plan are: the Bank of th Manhattan Co., New York; Th Fifth Third Union Trust Co., Cincinnati, Ohio; The National Shawmut Bank of Boston, Boston, Mas sachusetts; The Citizens an Southern National Bank, Atlant Georgia; Peoples-Pittsburg Trust Company, Pittsburgh, Penn sylvania; Republic National Ban of Dallas, Dallas, Texas; Unio Planters National Bank and Trus Company, Memphis, Tennesse The Detroit Bank, Detroit, Michi gan; The Pennsylvania Compan for Insurances on Lives and Grant ing Annuities, Philadelphia, Penn sylvania; State-Planters Bank an Trust Company, Richmond, Vir ginia; Mercantile-Commerce Ban & Trust Company, St. Louis, Mis souri, and Central National Ban of Cleveland, Cleveland, Ohio.

Moroney Beissner Co. Resumes Inv. Busines

HOUSTON, TEX. — Announcement is made of the resumption c the business of Moroney, Beissne & Co., investment securities, upo the release of the three principa of the firm from active duty wit the United States Navy. The fir specializes in the underwritin and distribution of Texas munici pal bonds and Texas corporatio securities.

Partners in the firm, which wa established in 1919, are Robert F Moroney and Henry M. Beissne associated with them is Claude T Crockett, who will be in charge c the trading department.

Offices are temporarily locate on the mezzanine floor of th Guardian Trust Company pend ing completion of arrangement for larger and permanent quar ters.



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Railroad Securities

The year 1945 will presumably go down in history as the banner year of railroad financing and its claim to fame is not apt to be challenged for many years to come at least. There were a number of factors operating to stimulate financing and by the end of the first ten months of the year offerings had topped $1,260 million. The vast majority of the offerings was for refunding purposes, with only a minor amount of equipment financing representing new money. The magnitude of the job accomplished is apparent when it is considered that total funded debt of the Class I carriers as of the end of last year was less than $10 billion. Moreover, this total included the bonds of roads in reorganization and outstanding equipment trust certificates.

The total of new offerings was in itself impressive but this figure does not cover the total amount of bonds involved in the year's financing. As stated above most of the offerings were for refunding purposes and in a vast majority of the refunding a portion of the issue or issues called was retired with treasury cash. In addition, a number of railroads, particularly those handicapped by non-callable features on their bonds, have continued buying in their bonds. All in all, there has been a very substantial shrinkage in the floating supply of railroad bonds in the past year. The last two weeks or so have seen the opening up of a new phase in these debt programs.

In no small measure the rush of railroad refundings has been due to the tax situation. Where bonds are called for redemption or are purchased above par and retired the premium paid is deductable before Federal income taxes. With most of the railroads well in the excess profits tax brackets the premiums paid actually cost the companies very little money. When the tax saving is considered the payment of a premium of ten points actually costs the company, net, only about a point and half. This advantage naturally lapses with the end of 1945 and it is this factor which has apparently brought about the new phase.

Within the last few weeks four railroads have asked for tenders of bonds which are either non-callable or not callable for a number of years. In two instances, Southern Railway and Chicago, Burlington & Quincy, the company has set definite prices at which bonds will be accepted. In the case of Southern the tender offer covers the two high coupon 1956 maturities of the development and general mortgage with the offer limited to $5,000,000 of bonds. The funds will come from the treasury. The Burlington offer is limited to $50,000,000 of bonds of the general mortgage and the first and refunding 4½s, 1977. The former are non-callable to maturity and the latter are not callable until 1952. The Burlington intends to finance the call for tenders through the sale of a new series of the first and refunding mortgage.

The other two roads asking for tenders have not announced any limitation on the amount of bonds to be accepted and have not apparently planned any offering of new bonds to replace those to be retired. Illinois Central has asked for tenders of practically all the various mortgages (all non-callable)) maturing in the years 1950-1952, inclusive. Finally, Southern Pacific has asked for tenders of the Central Pacific first refunding 4s, 1949 which are also non-callable. This is the second attempt of Southern Pacific to handle this near term maturity through an offer to holders. Last year the company made an offer to exchange the bonds for a new issue (better secured) bearing interest at the rate of 4¼% to Aug. 1, 1949 and 3½% thereafter to maturity in 1974. A total of $32,604,000 of the new bonds was issued in exchange leaving outstanding $55,589,000 of the 1949 maturity.

Obviously refunding operations will continue in 1946 but in large measure this will likely be confined to mortgages of roads emerging from bankruptcy. There appears to be little possibility that the 1946 volume will even closely approach the 1945 figure. With the very substantial tax advantage eliminated it will henceforth be necessary to accomplish a materially greater reduction in the coupon rate to make a refunding operation financially attractive to a railroad. Moreover, there will probably be less buying by the railroads of their high coupon non-callable bonds.

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Proposals on Collective Bargaining

Management Delegates at National Labor-Management Conference Present Proposals on Collective Bargaining and Report "That Certain Differences of Principle Cannot Be Reconciled." Employers Insist on Absence of Threat of Force and Lawlessness, and Advocate That Contracts Provide for Appropriate Guarantees and That Both Parties Be Equal Before the Law. Labor Delegates Reported to Demand Acceptance of Collective Bargaining in Every Instance Where Workers Choose to Organize and Ask for Union Security.

WASHINGTON, D. C., Nov. 20—Management's proposals anent collective bargaining were presented to the Legislative Committee of the President's National Labor Management Conference today, with the explanation that the Labor and Management Groups on the Collective Bargaining Committee had reached the conclusion that certain differences of principle cannot be reconciled. The proposals of Management are as follows:

Collective Bargaining—The Committee on Collective Bargaining is charged with considering:

"The extent to which industrial disputes can be minimized by full and genuine acceptance by Management of collective bargaining where workers choose to organize to bargain collectively on questions of wages, hours and working conditions."

Collective bargaining on wages, hours and working conditions should be a process by which an employer, and the freely chosen representatives of workers negotiate in the interest of effecting a transaction mutually advantageous to the employer, employees, and to the public served by the enterprise of which they are a part.

Genuine collective bargaining on wages, hours and working conditions involves a determination to resolve disputes and conclude an agreement with such terminal or renewal provisions as may be defined, on matters under consideration when approached with a fair and open mind, in a conscientious endeavor to understand each other's problems and in the interest of stabilizing employment relations. Collective bargaining on wages, hours, and working conditions is required by law. It is approved by the public. It is and must be accepted by employers, employees and their representatives in every instance where workers choose to organize to bargain collectively on questions of wages, hours and working conditions.

The parties to the practice of collective bargaining as herein defined may find it undesirable as collective bargaining relationships are established on a satisfactory basis. To jointly engage by mutual consent in other activities which they may regard as mutually advantageous and desirable and not contrary to the public interest.

Initial representation of demands is the first step in the collective bargaining process. When either party makes extravagant demands on the other, the process of full and genuine collective bargaining may be impeded.

Full and genuine collective bargaining may result in disagreement. Sincere bargaining cannot be regarded as requiring the demands must be in full or in part

(Continued on page 2494)

Tilly Elected to Bd. Of Comm. & Ind. Ass'n

David L. Tilly, 235 Dover Street, Brooklyn, was elected to the board of directors of the Commerce and Industry Association of New York at the board's regular monthly meeting on Monday, Nov. 19.

David L. Tilly

Mr. Tilly is President and director of the New York Dock Company, New York Dock Railway and New York Dock Trade Facilities Corp. He is also director of the American Short Line Railroad Association; member of Executive Committee, Merchandise Division of the American Warehousemen's Association; trustee, Brooklyn Savings Bank; director, Intertype Corporation; director, New York State Warehousemen's Association, and director of the Regional Plan Association, Inc.

He is a member of the Mayor's Business Advisory Committee and the Mayor's Committee on Port and Terminals.

Active in civic and philanthropic activities, Mr. Tilly is a director of the Brooklyn Chapter of the American Red Cross, a trustee of Brooklyn Hospital, a trustee of Brooklyn Polytechnic Institute and a trustee of the Industrial Home for the Blind.

Geyer & Co. Formed In New York City

Geyer & Co., Inc., has acquired the business formerly conducted by Huff, Geyer & Hecht, specialists in bank stocks and insurance stocks. The company also will continue to operate the branch offices at 10 Post Office Square, Boston and 231 South La Salle Street, Chicago, formerly maintained by Huff, Geyer & Hecht.

The following will be associated with Geyer & Co.: George Geyer, Willard N. Bastian, Richard J. Beall, John Butler, George L. Collins, Wilbur Krisam, Fred O. Cloyes (Chicago) and Robert H. Warren (Boston).

Main office will continue at 67 Wall Street, New York City.

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Our Reporter's Report

There is growing indication that investors will be given an opportunity to look over a substantial roster of new stock issues once the current Victory Loan Drive is completed and out of the way.

For several days now the flow of registrations with the Securities and Exchange Commission, for new security issues has been liberally sprinkled with projected new stock offerings.

Since investment authorities have been reporting an almost insatiable demand for equities this trend should prove in the nature of good news for them. It has been the experience of underwriters in recent months that they had only to be mentioned in connection with a prospective new stock issue to have their facilities virtually inundated by inquiries from potential buyers.

High-grade bonds, of the type which have been forming the bulk of new offerings, largely as an outcome of refinancing operations, naturally do not appeal to the individual investor. The yield is too limited for one thing, and the chance for appreciation is viewed as limited by reason of conditions already prevailing in the open money market.

Equities, on the other hand, offer the investor at least a degree of protection in the event that inflation takes a greater toll of the purchasing power of the dollar. Most of the companies which have applied for new stock issues are firms with seasoned background, which makes them the more interesting to the potential buyer.

"Street-Sized" Deals

Another favorable side of the growing trend toward equities is the fact that for the most part these offerings fall into the category that underwriters are disposed to term "Street-sized," meaning of the right proportions for ready handling.

Some five companies have registered with SEC for stock issues. Among these Howard Stores Corp. is projecting an issue of 31,525 shares of $100 par cumulative preferred and 55,000 shares of $1 par common, the latter for certain large current holders.

Insurance Co. of North America, Philadelphia, plans to offer 300,000 shares of $10 par stock and warrants for them, with prior rights going to present stockholders until Dec. 31. Hammermill Paper Co. has registered $5,000,000 debentures and 15,000 shares of new $100 cumulative preferred.

Latest to join the list are Pressed Steel Car Co., with 85,955 shares of $50 par 4½% convertible cumulative preferred series A stock, with prior rights to common holders; and Fansteel Metallurgical Corp., to be offered to present stockholders first on a rights basis.

No Need to Rush

Passing of the pressure on corporations to carry through their refinancing programs in the brief intervals between war loans is indicated by the plans announced by Illinois Central Railroad for overhauling its debt structure.

The road's holders will vote at a meeting Jan. 16 on creation of a new open-end mortgage on the properties under which new bonds would be issued to replace outstanding debts.

If the war were still on, and the Treasury making its recurrent treks to the money market, it is likely this issue would be stepped ahead as much as possible. This road has asked tenders of $53,115,000 of non-callable bonds maturing 1950 to 1953, inclusive, and will use treasury cash to take up such bonds as are presented.

Should its refunding program be approved in January, the road will call for payment May 1, next, $35,000,000 of outstanding 4s and 5s, with certain underlying loans to be refunded from time to time as conditions permit.

Utility Prepares Issue

Buffalo Niagara Electric Corp. has requested the SEC to approve its proposed issue and sale, at competitive bidding, of $56,929,000 of first mortgage bonds to mature in 1975.

The company would apply the proceeds, together with treasury funds, toward redemption of an equivalent amount of outstanding loans or obligations, issued or assumed, through predecessor companies by Buffalo, Niagara Electric and Niagara, Lockport & Ontario Power Co.

It is proposed that the new bonds would bear an interest coupon in excess of 3% and be issued under a mortgage trust indenture between the company and Marine Midland Trust Co. of New York, as trustee.

Leo Schoenbrun in L. A.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Leo Schoenbrun is engaging in a securities business from offices at 1273 Westwood Boulevard.

Sattler & Co. Formed In Los Angeles

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Joseph Sattler has formed Sattler and Company with offices at 639 South Spring Street to engage in the investment business. Mr. Sattler was formerly with Pledger & Co., Oscar F. Kraft & Co., and Young, Clark & Co. In the past he did business as an individual dealer.

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Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

For many years The Spectator Insurance Year Book has reported aggregate figures of the annual business written, losses paid, etc., of all fire and marine underwriters, comprising stock companies, mutual companies, and Lloyds and reciprocal underwriters. The data is given in such a way that a comparison can readily be made between the total business of the stock companies and of the mutual companies. To those dealers and investors who are concerned lest the mutuals be slowly but surely taking over the business of the stock companies, the published comparative figures should prove reassuring.

For example, in 1944 mutual fire and marine insurance companies wrote 15.8%, and stock companies 84.2% of the total premium volume of mutual and stock companies. This compares with 16.5% and 83.5%, respectively, in 1943. The business of the Lloyd's and reciprocals is so small, approximately 3.5% of the aggregate of the three groups, that they are not considered in this comparison.

The following table shows the relative premium volume written each year since 1927 by stock and mutual companies:

	PREMIUM RECEIPTS			PERCENT OF TOTAL	
	Stock Companies	Mutual Companies	Total	Stock	Mutual
1927	$980,105,000	$128,330,000	$1,108,435,000	88.4%	11.6%
1928	990,605,000	141,351,000	1,131,956,000	87.5	12.5
1929	1,027,028,000	152,604,000	1,179,632,000	87.1	12.9
1930	918,039,000	153,495,000	1,071,534,000	85.7	14.3
1931	787,019,000	142,233,000	929,252,000	84.7	15.3
1932	680,521,000	97,391,000	777,912,000	87.5	12.5
1933	622,277,000	112,190,000	734,467,000	84.7	15.3
1934	672,437,000	130,433,000	802,870,000	83.8	16.2
1935	702,620,000	134,415,000	837,035,000	83.9	16.1
1936	759,429,000	131,426,000	890,855,000	85.2	14.8
1937	831,622,000	140,506,000	972,128,000	85.5	14.5
1938	782,204,000	139,469,000	921,673,000	84.9	15.1
1939	814,514,000	142,128,000	956,642,000	85.1	14.9
1940	932,074,000	156,298,000	1,088,372,000	85.6	14.4
1941	1,075,617,000	183,206,000	1,258,823,000	85.4	14.6
1942	1,144,461,000	199,826,000	1,344,287,000	85.1	14.9
1943	1,074,725,000	212,042,000	1,286,767,000	83.5	16.5
1944	1,154,056,000	217,764,000	1,371,820,000	84.2	15.8
Totals	$15,949,353,000	$2,715,107,000	$18,664,460,000		
	85.5%	14.5%	Average	85.4%	14.6%

During the 18 years shown, stock companies have taken 85.5% of total premium receipts, and mutual companies 14.5%, while the average of the annual ratios is 85.4% and 14.6%, respectively. It will be observed that the mutuals increased their proportion of the total available business quite vigorously from 1927 to 1934, expanding from 11.6% to 16.2%, although their actual volume rose only fractionally. Stock companies' volume, however, dropped from close to a billion dollars to two-thirds of a billion. This drop is partially explainable by a decline in average fire premium rates charged by the stock companies from approximately 96¢ to 72¢, while there seems to have been no such comparable decline in the case of the mutuals.

Since 1934 the mutuals' share of premium receipts has declined somewhat from the 16.2%, except for the year 1943, when it was 16.5%. It would almost appear that their share may be stabilizing at between 15% and 16%. Although it is true that the mutuals' net rates to policyholders are generally lower than those of the stock companies, yet it is doubtful whether they can encroach much further on the business of the strongly capitalized and firmly established old-line stock companies, whose country-wide agency system represents an investment of several million dollars. To compete successfully in the wider field covered by the stock companies would require the mutuals to build up the equivalent of the stock companies' agency plant.

RATIO OF LOSSES PAID TO PREMIUM RECEIPTS

Year—	Stock Companies	Mutual Companies
1927	51.2%	33.2%
1928	48.9	33.2
1929	47.6	54.4
1930	56.3	40.2
1931	59.7	41.5
1932	58.9	37.1
1933	46.3	36.0
1934	42.9	33.1
1935	36.6	28.8
1936	42.8	35.3
1937	42.8	34.6
1938	48.3	37.7
1939	45.0	38.1
1940	43.5	37.6
1941	43.8	38.4
1942	55.0	36.4
1943	47.2	33.1
1944	48.1	37.7
Average	48.1%	37.0%

The general practice of the mutuals is to operate in relatively small areas and to confine their writings to the safer risks. As a result of this practice, volume is restricted but losses are more favorable. This is indicated in the foregoing tabulation of figures as published in "The Spectator":

It is of interest to compare the investment practices of stock and mutual fire companies. According to Alfred M. Best Company, as of Dec. 31, 1944, their admitted assets compared as follows:

CLASSIFICATION OF ADMITTED ASSETS, DEC. 31, 1944

		Stock Fire Companies		Mutual Fire Companies
Cash		9.5%		10.4%
Real estate and mortgages		2.4		5.9
Miscellaneous assets		5.3		5.7
U. S. Government bonds	33.6		46.7	
Total bonds		42.0		64.2
Stocks		40.8		13.8
Total		100.0%		100.0%

It is clear that the stock companies are heavier investors in equities than are the mutuals, while the latter are 50% more heavily invested in bonds and also heavier in real estate and mortgages.

The United States has not yet reached maturity. It is still growing, both as regards population and new industries. By the same token, the insurance business must also continue to grow and there is ample room and opportunity for both mutual and stock companies to compete and prosper and expand for many years to come. Meantime, such competition affords some advantages to the insuring public.

Post-War Securities and Capital Markets

(Continued from first page)

construction must be financed—financed through the wise expenditure of capital, most of which is available only here in the United States. Under a full employment economy we can also look forward to a substantial volume of domestic investment. The needs for this financing, the methods by which it is to be obtained, and the manner in which a sound financial mechanism can affect and protect it. I hope to develop to the extent that this brief talk will permit.

First, let us review for a moment some of the current factors in our securities markets and our financial economy. The most casual student will see, almost at a glance, that great changes have been brought about in the last few years, first through legislative and administrative governmental reform, and, more latterly, as the result of the devastating pressures and dislocations of the total war through which the world has just passed.

The passage of the Federal securities legislation and its administration, the improvement of State laws and the constant strengthening of their enforcement, the combined effects of these steps on the health and vigor of our financial economy, are well-known to us all. We may all be justly proud of the extent to which fraud has been suppressed, corporate economic information disseminated and the general standards of business ethics raised, without at the same time injecting into our financial freedom authoritarian powers of control over individual choice and action. We have not, however, reached this point over night; nor would I contend that we have achieved the perfect state.

The Pre-War Financial Markets

Let me survey the various stages of the operation of our financial markets during the period of the past war. Not long after the outbreak of hostilities in Europe in the latter part of 1939 you will recall that securities trading in our markets experienced a rather considerable decline which continued downward and remained at an extremely quiet level until the late part of 1942. Public offerings for industrial and other financing were also quite low with a moderate and fairly steady amount of public utility financing occasioned by companies which were going through the early stages of compliance with the Public Utility Holding Company Act of 1935, together with a modest sprinkling of industrial offerings, most of which, like the utility issues, were in the nature of refundings.

Even prior to the entry of the United States into the war after Pearl Harbor, a large part of the attention and energies of the people of this country were focused and concentrated on the tremendous effort which was made to convert and expand our industries for the production of war materials. At that time the great demand for munitions came from the nations which were defending themselves against the then mighty German war machine. While this program had of necessity to be financed, it obtained its funds not from the private capital markets but from Governmental sources established for the purpose. Investment in a war machine, or even in a munitions industry manufacturing war materials for export, is not, as we well know, a widely attractive medium for private capital—nor is it an appropriate one for the general run of investors, individual or institutional. In addition, the amount of funds which can be obtained from such sources and the cost of such money is too uncertain to permit risking the success of such a vital undertaking.

The lack of response of our private capital markets to the substantial increase in activity during this early period was largely occasioned by the resort to Government financing. Furthermore, when the United States declared war and joined with its allies in active hostilities against the Axis powers, the trend away from private transactions was very much intensified.

There were many at that time who, because of these conditions, felt that our whole private financial system was in a precarious position. Some, instead, looked on these as certain signs of the collapse of that system and its institutions. It is to the great credit of the men of vision and courage who stood by and saw this great industry through its lean years that such a collapse was averted.

A New Era in Finance

I appreciate that it may be unbecoming in me to herald the arrival of a new era of finance under the administration of the Federal securities laws. I do feel, however, that at the very least the contribution of this legislation to the successful survival of our financial economy must be pointed out. Much of the story has been told before, but I think it will bear repetition. The administration of the Securities Act of 1933 and the Securities Exchange Act of 1934 had been underway for four or five years before the first rumblings of war in Europe were heard. During that time the organization and practices of our principal securities exchanges had undergone thorough examination and review and such changes under authority of law had been made as appeared to be desirable or necessary in bringing about sound conditions in those markets in which the public had been encouraged to trade. When war finally came with the invasion of Poland in September 1939, there was no panic, although the exchanges and the Securities and Exchange Commission were prepared for it—if it should come. The exchanges did not close as they had at the beginning of the first world war in 1914. To whatever specific causes it may be due—whether an absence of manipulated price structures, a restriction on the volume of credit in the market, or whatever—there was no great distress selling and the blow was absorbed without real event. This experience repeated itself at the fall of France, the debacle of the

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Balkans, the invasion of Russia, the whole inundation of the European continent, the near fall of Britain itself and finally, Pearl Harbor. Most of us have come to recognize that this performance under such adverse conditions was proof of the essential stability which had been created in our markets.

And if that were not proof enough, it is well to call to mind the events which have taken place since the low period of 1942. There has been a notable revival of interest in our securities and capital markets. Prices and activity on the exchanges and in the over-the-counter markets have steadily increased and public offerings of securities of private enterprise have been made and obsorbed in greater amount.

Must Prevent Inflation

But here let me sound a note of warning. Up to a very recent date, I think our markets have reflected basic conditions generally in our industry and the widely held view of the outlook for the future. It has, however, been suggested—and I think not without reason—that they also reflect an anticipated acceleration in the inflationary trend which was so successfully held within limits during the years of conflict. If this is true we should take care to see to it that it does not continue while our faces are turned the other way.

I recognize, of course, that certain controls exercised in actual wartime must be lifted or readjusted in order to ease the way back through the reconversion process into peacetime acticities. But we must not let ourselves take precipitate action. Inflation must be prevented through such controls as are necessary for the purpose in order that our economy may not burst at the seams. To permit inflation to take place in the United States of America at his particular juncture in the world's history would be disastrous. It would increase enormously our reconversion problems and make more difficult the attainment of world reconstruction.

It is gratifying to look back over the war years and see just how well those engaged in all walks of business during that hectic period have been able to hold together and even strengthen their organizations when it was most difficult to do so. Some of us who had occasion to discuss on the threshold of our war activity the difficulties which undoubtedly would beset our financial and business organizations laid great stress on the importance of creating during the war sound financial structures and practices capable of withstanding the stocks of the reconstruction period. I expressed my own view in the fall of 1941 on one or two occasions, that if we could succeed in this our securities markets would be able to perform a very important service in post-war finance. We have succeeded, in my opinion, and we must turn to and tackle the job now that we are face to face with it.

What is the outline of this task; what are its principal problems; is it concerned with the domestic or the international field — or both?

Prospects of Domestic Financing

Let us turn first to the prospects for domestic financing. Apart from refunding operations, the volume of new issues of American corporations in the past-war period will depend almost entirely on the level of industrial production. Only if a very high level of national income is achieved will any significant amount of new issues be required to take care of additional capital investments and working capital.

During the war there was comparatively little net private investment in plant and equipment in spite of the unprecedented level of business activity. The reason of course is obvious. For War industries, the necessary new plant and equipment was financed directly by the Government; for non-war industries, priorities, allocations, etc. effectively prevented any capital expansion. Where corporations needed increased working capital, this was amply provided by retained profits, depreciation charges in excess of replacement expenditures, larger Federal income tax reserves, V loans, and advances and prepayments by the U. S. Government.

While there was over the war years a substantial volume of corporate financing in the capital markets, amounting to nearly $8 billion from the end of 1941 to the middle of 1945, most of it was for purposes of refunding. Companies in all fields have been taking advantage of the low money rates to reduce their interest charges and to extend their bond maturities, at the same time availing themselves of the privilege afforded by the corporate tax laws to charge off to tax liabilities any premium paid on bonds redeemed. In addition to refunding operations, there were substantial amounts of outright redemptions of corporate bonds. Thus in the period since our entry into the war, retirements of corporate securities exceeded issues by close to $1 billion.

As an aftermath of the War, American corporations taken as a whole have such a substantial reserve of liquid assets and such high net working capital that they could undertake considerable expansion from any previous level of peacetime activity without any very significant recourse to the capital markets. This extremely favorable financial position of corporations resulting primarily from the high level of retained profits has been discussed at some length in our quarterly releases on this subject.

Data collected by the Commission as well as by other Government agencies also show that though there was considerable variation for various industrial and size groups of corporations, practically all shared in the rise of working capital over the war period and were in a much stronger financial position at the end of the war than at the beginning. These studies indicate that small firms fared at least as well as the larger companies.

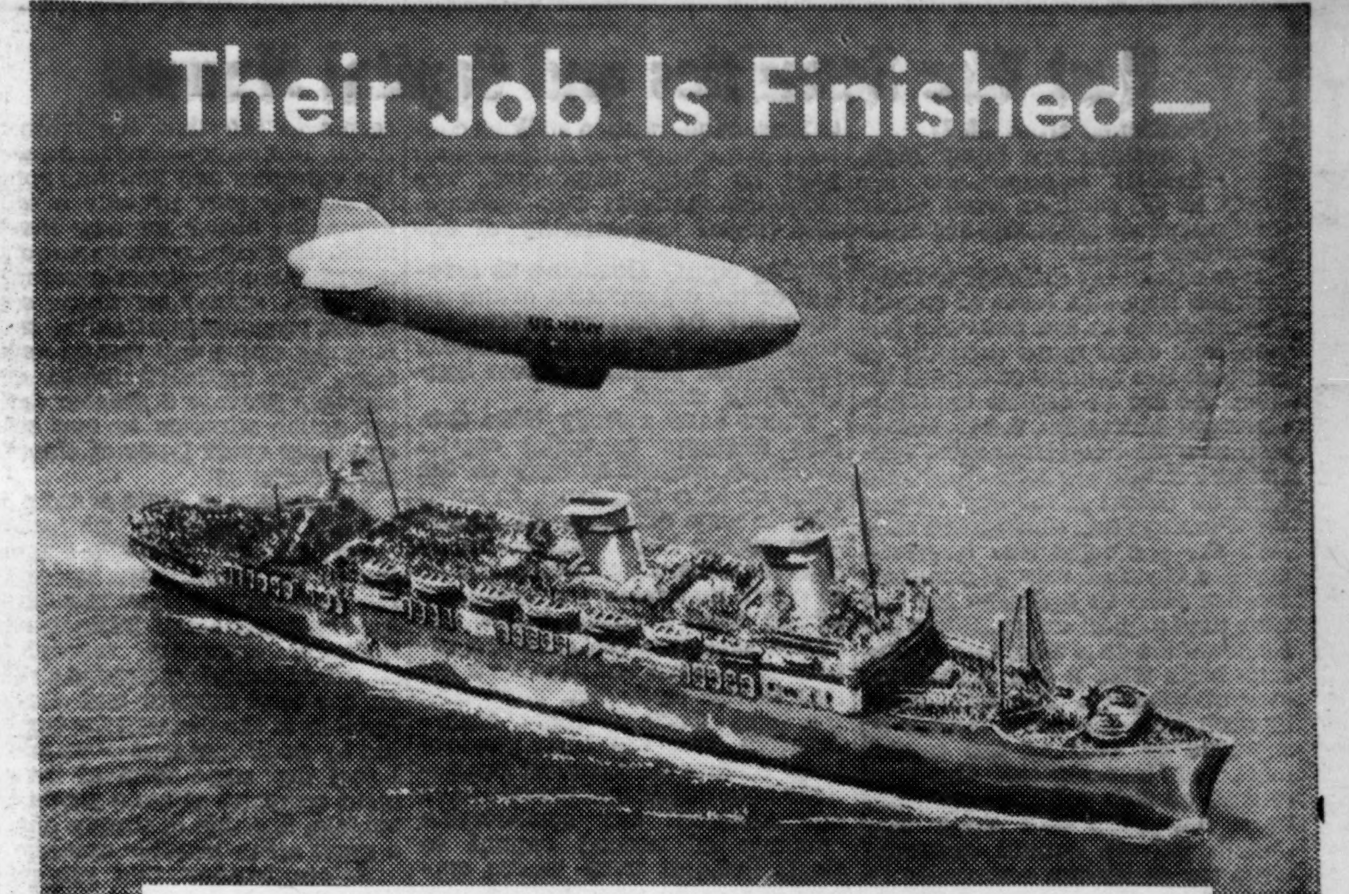
Additional Capital Needed for Expansion

However, in spite of the favorable financial condition of corporations as a whole, there will undoubtedly be a number of individual corporations which will not be in so advantageous a position. There will be other corporations, existing as well as new enterprises, which will need additional capital for purposes of expansion. Finally, it is obvious that the financial position of all corporations will be affected by developments in the post-war period, particularly in the price level.

Several nationwide surveys have been carried out to determine what the actual capital needs for industry will be in the reconversion and transition period. Recent field studies by the Federal Reserve banks in conjunction with the Committee for Economic Development, covering several of the more highly industrialized regions in the country, suggest that actual reconversion costs will be quite small. Businessmen covered in these surveys do not feel that there will be any problem in financing reconversion internally.

Another study by the Department of Commerce, covering planned capital outlays and financial requirements during the 12 months following the end of the war in Europe, indicates that though

(Continued on page 2468)



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Post-War Securities and Capital Markets

(Continued from 2467)

planned outlays are fairly high, the financial requirements for funds to be secured from other than corporate resources are comparatively small.

It is extremely difficult to forecast the long-run level of capital expenditures in the post-war period and even more difficult to estimate the volume of capital issues. So far as capital expenditures are concerned, the Commission now receives from most registered corporations quarterly data on actual plant and equipment outlays and anticipated outlays for the next two quarters. On the basis of this information we are able to estimate for the first time capital expenditures for corporations as a whole on a current basis with a reasonable degree of accuracy. The importance of such data for the economy as a whole as well as the capital markets is self-evident. Our first release on this subject appearing in a few days will show that though private capital expenditures for American companies in 1945 will not differ greatly from 1944, which was a relatively low year, there was a steady rise in the rate of such expenditures over the year, with quarterly expenditures in the fourth quarter of 1945 likely to be approximately twice as high as in the first quarter. We hope that in future reports we can indicate the extent to which companies will rely on the capital markets to finance such anticipated expenditures.

One development is almost certain. Only with the high level of production accompanying full employment or at least approximately full utilization of our resources will there be any very substantial recourse to the capital markets. There will certainly be no dearth of available funds for the capital markets, with the exception possibly of small company issues. Given the huge accumulations of liquid assets by individuals, institutions, and corporations, it seems quite clear that for the foreseeable future there will be an insufficiency of new security offerings to absorb the funds seeking investment outlets. Such funds will be needed and raised only if the level of activity is far greater than ever before in our peacetime history. This does not imply that we are now in a mature economy with our capital markets facing stagnation. It does imply that the activity and health of our capial markets as well as and possibly even more than most other sectors of our economy will depend on a level of post-war national income beyond anything we have experienced before the present war. The relationships, however, are not one-sided. Arrangements in the capital markets affect as well as are affected by the level of business activity and we must insure that they make their full contribution to the best functioning of our economy.

Problem of Small Business Financing

Let me give just one illustration of the problems facing the capital markets in this connection. So far as the overwhelming majority of large established businesses are concerned, it is probably safe to say that any deterrents there may be to obtaining funds for expansion lie outside the organization of the capital markets. However, this is not true for new, small and medium sized firms, a group which may well be able to use profitably and with benefit to the whole economy a large amount of new capital which they are not able to obtain from the capital markets as presently constituted.

Information gathered over the past few years has indicated the extreme difficulty small business finds in obtaining loan financing at reasonable rates, a striking contrast to the very low interest rates paid by large companies. The available material also indicates the virtual impossibility of obtaining equity financing as a result of the organization of the investment banking machinery which does not and, as presently constituted, possibly cannot handle small issues.

There have already been several attempts to make capital available, almost entirely in the form of loan financing, to small and, to some extent, to new business. These have been set up at interest rates which would not be so exorbitant from the viewpoint of the small business, but would at the same time permit a fair return or at least not involve a net loss to the institution advancing the loan. Such attempts, unfortunately have not been particularly successful. Lending institutions both public and private have not advanced any considerable amounts of needed capital to small business even where empowered to do so under existing legislation. This may reflect to some extent an excessive conservatism of the banking fraternity, possibly induced in part by credit standards set up by public authorities. However, another very important factor tending to discourage a wider granting of loans has been the extremely risky nature of such commitments. Lending institutions were in the unenviable position of sharing in business gains only to the extent of interest charges, but sharing completely in any losses which might wige out their entire capital investments. It is not entirely surprising that such institutions were sparing in their loan commitments to small business.

Most of the current plans, including congressional bills now under consideration, for providing capital to small business propose to accomplish this end by a Government guarantee though there is of course considerable variation in the particular institutional arrangements advocated. For the most part the proposed legislation stresses loan rather than equity financing. Unfortunately, there has been far too little objective evaluation of the necessity for or desirability of Government participation or of the relative needs for or advantages of loan and equity financing. Some of the dangers of loan financing except in the most stable methods of businesses and economic conditions are too well known to need repetition here. In addition, I think there is some reason for believing that equity financing may be more profitable or at least less costly to the financing institution. Such considerations of cost are of obvious importance to the Government if it is to engage in any substantial program of guaranteeing capital advances to small business and should be thoroughly investigated. On the other hand, even if equity capital is preferable from the viewpoint of the overall economy, there is considerable question as to the attitude of the individual entrepeneurs to this type of financing, i.e., the extent to which small business will be willing to have outside capital enter on a partnership rather than creditor basis.

This whole subject of providing needed capital to small business is, I think, timely, and potentially quite fruitful; it is not simply an intellectual exercise. The problem, however, is admittedly a messy one and has acquired an unfortunate emotional tinge over the course of years. The professional advocates of small business claim that a solution of this problem is the solution to our economic ills. On the other hand, some of our more skeptical economists deny that the problem is a real one. It seems to me that the truth, as usual, lies somewhere in between the extremes and that this sphere of activity may provide a fairly important outlet for new investment. Even if the final solution of this problem requires Government subsidies, something which some of the proponents of aid to small business claim will not be necessary, this approach might conceivably provide a greater dollar for dollar stimulus to our economy than other types of Government spending.

In my opinion there is room for further research in filling the more important gaps still remaining in the information necessary for establishing new machinery for financing small business—for instance, obtaining through a stratified sample quantitative data on the total amount and characteristics of the demand for financing by small business. Personally, I feel that some form of investment company offers a promising vehicle, but this is simply one of a great many possible devices.

Before leaving this subject I should like to point out that there is not much basis to the claim that the registration costs of floating an issue of securities under the Securities Act of 1933 is a deterrent to financing by small business. Thus, a survey recently made by the Securities and Exchange Commission shows that the total average cost of flotation of equity securities issued by the small companies under our jurisdiction is 21.6% of the anticipated gross proceeds to the company. Of this amount the compensation of investment bankers alone amounts to 19.7%. On the other hand, all other expenses in any way affected by registration, including such costs as printing legal, accounting, engineering and miscellaneous expenses (which would be encountered to a very large extent regardless of registration) aggregate only 1.9% of these proceeds. The experience of the larger companies with respect to these expenses affected by registration is not too much different. Furthermore, it should be noted that the Commission's regulations exempt from the registration requirements any offering of new securities totaling $300,000 or less.

Limits to New Domestic Financing

To sum up, there seem to be definite limits to the prospects for new domestic financing in the near future, particularly if we do not attain full employment of our physical resources. We are presented, however, in the field of foreign investment with quite a different set of factors. We are recognizing more clearly every day to what extent the rest of the world is looking to the United States for its financing. Not only are the countries in need of reconstruction seeking loans in our markets and from our Government institutions, but also many foreign governments and private enterprises abroad which have plans for industrial expansion look to the United States' markets for their best and virtually their only source of credit. Our position today is not unlike that of England following the Napoleonic wars of the early nineteenth century. At that time the English bankers and investment public were practically the only source for rehabilitation and reconstruction of a war-torn Europe. The manner in which the British succeeded is now familiar history, and it is notable that in achieving these objectives the whole international economy was so stimulated that undreamed of levels in foreign trade and commerce were shortly achieved. Not least among these collateral results was the development and industrialization of our own country.

Our present financial position is considerably different from that in the period following World War I. The world at that time still looked upon the British as the world banker. Today, however, there is no ambiguity in the situation. England herself is an applicant for financial accommodations from the United States to a very substantial sum. There are other potential sources of credit outside of this country such as Canada, Sweden and Switzerland, but it may be frankly admitted that the exportable capital from these sources is inconsiderable relative to the demands of other nations.

Prospective Capital Exports

There have been of late a number of estimates as to the anticipated magnitude of the foreign trade of the United States during he next decade. One of these current estimates for instance contains a recommended foreign trade budget for a typical post-war year which has as its principal components merchandise exports of ten billion dollars, merchandise imports of six billion dollars, giving an excess of receipts on merchandise trade of four billion dollars. To offset this, the budget foresees an excess of payments on service transactions of about three hundred million dollars and of primary importance an annual net outflow of capital consisting of between three and four billion dollars, of which at least three billion would consist of long-term capital investment. Indeed, the entire estimate is based upon the premise of capital exports of these magnitudes for a sustained period of time.

This type of analysis would seem to indicate that foreign investment by the United States is a matter of deep concern to all countries and peoples, including ourselves. Without a substantial and sustained export of capital it would seem clear that in the near future we could not expect to enjoy for any extended period a volume of merchandise exports anywhere approaching the level which ordinarily would accompany the high gross national product we are hoping for in the post-war period. Furthermore, it may even be contended that without the sustained export of capital by which high levels of foreign trade are generated and sustained, the achievement of a full employment economy in the United States would become more difficult. There is, I realize, considerable difference of opinion among experts as to the importance of foreign trade for prosperity within the United States but I think that it is generally agreed that a high level of foreign trade and a program of substantial capital export properly administered would at least facilitate the maintenance of a high level of domestic production.

The amount of United States capital which might be employed can be viewed either from the demand side or from the supply side. Taken from the former, the amount of funds which could be employed abroad in the next decade is of fantastic magnitude. We know, for example, that England has been negotiating for accommodations of three to five billion dollars; that Premier Stalin mentioned a figure of six billion dollars to a delegation of United States congressmen recently; and that France, the Netherlands and a number of other European countries have actually filed application for substantial amounts. Eastward, we know that China hopes to find the United States as helpful in her reconstruction and development as in her war effort. We have also been reading of plans for expansion and industrialization emanating from India, which looks to us as well as to the mother country for financial assistance.

On the supply side, there are several known factors and many unknown. Among the known factors are the recently extended lending facilities of the Export-Import Bank. By recent enactment Congress authorized this bank to make loans for the promotion of our export and import trade up to the extent of three and one-half billion dollars. The Export-Import Bank has already acted under this authority and has either concluded or has in contemplation some rather substantial loans. It was not expected, however, that this bank alone would be able to handle the volume of credits that would be sought. Besides the Export-Import Bank the International Bank for Reconstruction and Development, which is one of the two institutions covered by the Bretton Woods Agreement, will be an important organization in the field of international investment for many years to come. The International Bank will have a lending power at about nine billion dollars when all the signatory nations have accepted the agreement. The lending power of the International Bank, however will, for the most part, depend upon the disposition of private investors to buy bonds of foreign governments or to buy the bonds guaranteed by foreign governments through the Bank itself. Unlike the Export-Import Bank, therefore, the International Bank will employ for the most part the funds of investors and not public funds raised by taxation or otherwise.

A question which is of utmost importance for the success of any foreign investment program by the United States relates to when and how American investors will be inclined to buy foreign securities or the bonds of an international institution. The program is most acute for the substantial volume of foreign issues which will probably be needed outside the framework of the International Bank and without any such guarantees. It may be expected on the one hand that, because of the experience in foreign investment which followed World War I, investors in this country will be hesitant to buy issues of foreign origin. Furthermore, political stability would seem to be an essential pre-condition for confidence on the part of public investors. On the other hand, the liquid position of American investors' institutional as well as individual, would seem to encourage a rather more optimistic view. For some years, this Commission has reported at regular quarterly intervals upon the volume and composition of saving by individuals in the United States and upon the working capital of United States corporations and its components. The magnitude of these savings by individuals and the volume of assets held by corporations in highly liquid forms has been frequently commented upon. From this combination of circumstances in conjunction with the prospective requirements for new financing by United States corporations there would presently appear to be an excess of available funds over investment outlets in the domestic scene.

To date, there have been no important foreign long-term loans or investments made by the public. The American public has not as yet been called upon to evaluate foreign issues, and therefore it may be well at this time to ask what the average American will want to know, and what protections he will ask for in facing the prospect of investment of his savings in foreign governments and for foreign business projects.

Certainly one of the most valuable protections which has been afforded to the American investor since the previous era of foreign lending is the information made available to him under the provisions of the Securities Acts. Since the enactment of the Securities Act of 1933, which covers new issues, there have been practically no new issues of foreign securities. However, there are registered with the Commission under the Securities Exchange Act of 1934 practically all important issues of foreign origin sold in this country which were outstanding on the effective date of that Act.

New foreign government issues will come under the registration requirements of the Securities Act of 1933. Schedule B in that Act sets forth the data and information required in connection with such new issues. It is not unlikely that foreign governments will wish to have their securities admitted to dealings on a national securities exchange and will therefore undertake to file annual reports as required by the Commission under the Securities Exchange Act of 1934. Securities offered by foreign private enterprises will, of course, be subject to the same registration requirements as those of domestic firms. Through the medium of the Securities Acts, therefore, there will be made available to the American public far more information relative to foreign investments than it was accustomed to expect prior to the enactment of these statutes. Whether the provision of such information alone will give the full measure of protection to American investors which they will require or which should be afforded to them on their foreign securities is another question.

Problems of Foreign Flotations

We in the Commission have, through the years of administering our Securities Acts, learned to respect the importance and value of full disclosure of information as a means of protection to public investors in securities. It must be admitted, however, that there are problems to be faced in connection with the flotation of foreign securities in addition and beyond those which emerge in the course of domestic financing. These raise questions of importance to the State governments as well as to the Federal governments. The irresponsible and undirected foreign lending that followed World War I had serious repercussions within State borders, resulting in some instances in the collapse of financial institutions with losses to many policy holders and depositors.

The political picture is one of the most important problems. It has been suggested that it is one where disclosure may have to be supplemented by administrative action by some Government agency. Also of utmost importance are the economic ramifications which arise from the intricacies of foreign trade and commercial relations. How much and how closely these factors should be disclosed to public investors in foreign and international securities are questions which we are now concerned with. American investors will want to keep currently informed as to the status of their investments. This quite natural and justifiable demand would seem to require at least annual statements from borrowing countries and their enterprises which will keep up to date the information contained in the original registration application. Further the information now required might very well be expanded to cover some of the problems not involved in domestic investment.

For example, the balance of payments position of importing and exporting countries is a matter of vital interest to their foreign creditors. Information on this subject would naturally be expected by investors who had, like the American public, become accustomed during the past decade to being kept informed on the affairs of corporations issuing securities.

But in spite of all the information that might be required under presently existing statutes or by extension or amendment of these statutes, there are some who still feel that the American public has not adequate protection in respect of foreign borrowers. This opinion has been expressed recently in Congressional circles with respect to the proposed repeal of the so-called Johnson Act. This Act, as you know, prevents the sale to the public of any obligation of a foreign nation in default to the United States Government. In opposing repeal of the Act, several members of Congress have raised questions as to what protections will be afforded to replace those which the Act was designed to provide. These representatives may not be satisfied that the disclosure of information provides a satisfactory answer to their questions.

In view of the difficulties encountered during the early period—how shall we proceed from here on? Is there in the experience of this early period a lesson for us? Shall we wait and watch, shall we be satisfied if bankers and underwriters merely comply with disclosure requirements? Or shall we try to work out a policy to guide foreign investment and to correlate it with our foreign economic and commercial policies? These are some of the questions which are of current daily concern to many officials of the Government in Washington. They must, of course, be dealt with carefully but promptly, and at any rate, before the private markets open up as they eventually will, to the foreign borrower.

I have undertaken to raise these questions at this meeting for two reasons. First, as I have indicated, they stem from problems of vital interest to the States and, secondly, to solicit the views of the States in their solution. Our Commission, is perhaps best placed to be of assistance to all Departments of the Federal Government in the solution of the National problem. We cannot, in my opinion, render that service to the best effect unless we are made conscious of the views of the various states. I therefore ask you to communicate those views to us and to permit us to act as a clearing house on your behalf.

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Mutual Funds

More Liberal Dividends

The potential increase in earning power of American corporations could pave the way for more liberal dividend policies over the next several years, according to **National Securities & Research Corp.**'s current issue of National Notes.

In order to satisfy the pent-up demand for fundamental necessities, corporations plan to spend (according to a survey of the Department of Commerce) some $9 billion for expansion purposes.

In this report it is pointed out that during the war many corporations built up huge amounts of cash and government securities in their treasuries. This development should permit them to pay off short term debt, finance expansion out of their own resources without diluting common stock equities and diversify their operations with a view to finding new sources of income. This, in turn, should result in increased dividend payments.

Comparative figures for the 54 issues comprising the portfolio of **National's Selected Groups Series** are given, showing cash and government securities of these issues currently 175% over 1939.

Good News for Building Supply Industry

Hugh W. Long & Co. has issued an optimistic letter covering a new folder on the **Building Supply Industry Series of New York Stocks.** The Company interprets the recently announced proposed plan of the OPA to permit rent ceilings on new dwellings and apartments to be 15% to 25% higher than those on existing houses as an indication that the government will encourage builders to start work promptly.

It is brought to attention also that the claim of prosperity for the building supply industry is more valid than that of most other industries because the period of record activity will be longer. Some estimates say ten or twelve years.

Highly Specialized

In a letter presenting revised folders on **Investing Company Shares** and **Mining Shares** of **Group Securities, Distributors Group** suggests the use of these two highly specialized groups for use in handling certain types of accounts.

"**Investing Company Shares** with its ultra-speculative, high-leverage holdings assures magnified participation in an inflation market.

"**Mining Shares,** with its gold-mining stocks, provides the traditional hedge against inflation and, in the present situation, against a possible increase in the price of gold."

Serving the Larger Investor

The Trustees of **The George Putnam Fund,** in the current Portfolio Review, comment on the advantage to the large investor of the use of conservative type funds, such as the Putnam Fund. These funds have much to recommend themselves as "backlog investments" for more substantial estates, especially under prevailing conditions in the bond market.

Although the greatest field of service, point out the Trustees, is with the investor of moderate means, there is a definite field of usefulness with the larger investor provided the Fund is properly presented by the dealer and understood by the investor.

Such funds are a means of providing investment management to accounts which are large enough to employ investment counsel services. The disadvantage of the investment counsel approach is that management efforts are spread over a large number of individual accounts of varying needs and objectives.

"This weakness is not present in the Putnam Fund where the Trustees exercise complete control over the portfolio and management efforts are concentrated on a single fund with a well-defined objective."

Labor-Price Problems

Keystone Co.'s current issue of Keynotes asks: "Can business surmount labor-price problems? How serious is the situation? Does it threaten the foundations of business prosperity?"

"In order to preserve our perspective in the present confused situation," writes Keynotes, "it is necessary to keep in mind certain basic facts." We briefly summarize them below:

1. Demand for wage increases and the national rash of labor strikes are not surprising in view of the fact that the Federal Government for 12 years has fostered a policy of giving unions unrestricted economic power. It is now evident on all sides that a new labor policy must be formulated.

2. The two ideas of rising wages and frozen prices are in conflict. One must give way.

3. Wage demands are only one factor tending toward an inflationary rise in prices. Monetary trends are also building up inflationary pressure.

4. Manufacturing concerns naturally concentrate upon items which can be produced at a profit. Business must be allowed to operate at a profit if general employment and national purchasing power are to be maintained.

The Aviation Industry

Referring to the optimistic outlook envisaged by Raymond L. Hoadley, Financial Editor of "Aviation, America's First Aeronautical Magazine," in a comprehensive discussion entitled "Don't Sell This Industry Short," **Hare's Ltd.** presents some significant facts about the aviation industry.

Following the surrender of Germany last May, and Japan last August, and with the Military cancelling a very high percentage of their orders for aircraft, aviation companies should have been decidedly vulnerable had their future been over-dependent on war conditionsa rather than on peace conditions. Yet, from their April lows to Nov. 1, aviation stocks showed far greater appreciation in market value than high grade stocks in general. Their appreciation was approximately 47%, compared with approximately 20% for the Dow-Jones Industrial Average.

51 for 2

Lord, Abbett, in a current Investment Bulletin on **Union Common Stock Fund**, asks if the accredited experts in the investment company field are producing the results reasonably to be expected.

"The Union Common Stock Fund record says 'yes,'" reports the sponsor. To substantiate this statement, the performance of Union Common Stock Fund is compared with the performance of the Dow-Jones Industrial Average for the period from Nov. 1, 1944 to Nov. 1, 1945. The result is a gain of 39.2% for UCS against 28.7% for the Average.

"If Union Common Stock Fund had just done as well as the Dow-Jones Average . . . its present price would be 51 cents per share lower . . . the managemet fee for this period amounted to less than two cents per share."

Time To Be Careful

W. L. Morgan's current issue of Wellington News is devoted to a discussion of the substantial rise in stock prices and the manner in which to invest following such a rise.

With prices reaching levels where one must be much more selective as to the individual securities, since some may show losses over the intermediate term whereas some others are still likely to go up substantially, it is suggested that the logical investment would be in a balanced, diversified fund, such as Wellington Fund.

Mutual Fund Literature

Selected Investments Co. — A memo showing diversification of a $10,000 investment in **Selected American Shares;** revised Prospectus on **Selected American Shares** dated Nov. 14, 1945. . . . **Distributors Group** — Investment Report dated Oct. 31, 1945. . . . **Lord, Abbett**—Current issue of Abstracts; revised Prospectus on **Affiliated Fund** dated Oct. 26, 1945. . . . **W. L. Morgan & Co.**—booklet on **Wellington Fund** entitled "Investing for a Widow and Two Children." . . . **National Securities & Research Corp.**—Latest issue of Investment Timing; revised leaflet on **Industrial Stocks Series. . . . Hugh W. Long & Co.** —Memo on optimistic outlook for mining industry; portfolio holdings on **Manhattan Bond Fund** dated Nov. 1.

R. A. Bigger Pres. of R. S. Dickson & Co.

CHARLOTTE, N. C. — R. S. Dickson has been elected Chairman of the Board of Directors of R. S. Dickson & Company, Inc., Wilder Building. R. A. Bigger was elevated to the presidency of the corporation, succeeding Mr. Dickson. S. V. Duncan was elected Vice-President, following Mr. Bigger.

R. A. Bigger

Mr. Dickson has been with the company since its organization in 1919. He also is President of American Yarn and Processing Company of Mt. Holly, N. C. He requested that he be relieved of the presidency in order to devote more of his time to the manufacturing business.

Mr. Bigger, who had been Executive Vice-President for the past four years, joined the company in 1924. For 12 years prior to that time he was engaged in the textile business. Mr. Duncan has been associated with the company since 1933.

In his report to stockholders Mr. Dickson said the company had increased its net worth to $2,084,000.

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Diversiform Dishonesty

(Continued from 2460)

Commission under the latter Act. I stated I thought there was no difference in protecting people from purchasing securities from dishonest promoters than there was in protecting persons from selling their securities to insiders who persuade investors to give up their securities by techniques as vicious as those used by dishonest promoters. I have heard it said that my discussion on that subject was provocative. I have heard protestations made in answer to charges brought by the Commission, bottomed upon alleged fraud upon the seller of securities, that that type of fraud is a new concept. I did not think it a new concept at the time the rule was adopted, nor do I think so today. Fraud and dishonesty in connection with securities transactions, however varied, however diversiform, are none the less fraud and dishonesty.

Fraud Under Investment Company Act

I would like today to follow fraud in its general sense beyond that practiced in the ordinary purchase or sale of securities. "Fraud, indeed, in the sense of a court of equity," says Mr. Justice Story,[1] "properly includes all acts, omissions and concealments which involve a breach of * * * trust * * *." Having in mind fraud in this generic sense I propose to discuss with you some of the applications of Section 36 of the Investment Company Act of 1940.[2] That Section authorizes the Commission to seek an injunction in the proper United States District Court against any person for gross misconduct or gross abuse of trust in respect of any registered investment company which such person serves in any of certain designated capacities. If the Commission's charges of gross abuse of trust are established, then the Court is obliged to enjoin such person, either permanently or for a period of time, from acting or serving in the designated capacities.

In discussing the applications of Section 36, let it be recalled that the Investment Company Act is the result of abuses and defects uncovered in an exhaustive study made by the Commission. Let it be clear that the investment company industry itself recognized the existence of those abuses and defects and joined the Commission in urging the passage of the Act. Let it be very clear that the terms and provisions of the Act were worked out in conference by the representatives of the industry and the Commission with the approval of the Congressional committees concerned. Let it not be unclear that I am very appreciative of the fact that investment companies are vitally associated with our national economy although relatively few of them are more than 20 years old. As of June 30, 1945 the total assets of all registered investment companies, excluding fixed and semi-fixed trusts, installment investment plans, face-amount certificate companies and companies in process of liquidation and dissolution, aggregated approximately three billion dollars. The assets of companies excluded from that figure run into several hundred millions of dollars. At the end of 1944 there were 371 investment companies registered with the Commission. The number of security holders of investment companies has been sharply increasing since the advent of the Act and in the Spring of this year there were two million persons scattered throughout the country holding such securities. These figures are of importance, not only in considering the relation of investment companies to our national economy, but are of vital importance in considering the concept of the investment company business — a business which provides a medium for public investment in common stocks and other securities — a business designed to administer a pool of money belonging to a large and widely scattered body of investors. These figures are of importance not only in considering the investment trust business, but in giving consideration to particular investment companies and to those who make up their managements. Managements after all assume the high responsibility of administering other people's money.

Basically the problems of the industry flow from the very nature of the assets of investment companies. Those assets for the most part consist of cash and securities which are usually completely liquid and readily negotiable. Because of these characteristics, control of such funds offers manifold opportunities for exploitation by an unscrupulous management.

It is a fundamental of trust law, as with all other fiduciary relationships, that the trustee must be wholly faithful to the interest of his trust. In conscience and in equity the beneficiary, not the trustee, is the owner of the trust property. I am confident that the industry as a whole is vitally interested in seeing to it that fiduciary standards are maintained. Indeed they must be if public confidence in the investment company business is to continue.

I think Federal and State agencies charged with the administration of the regulations and requirements pertaining to the distribution of investment company shares, as well as the industry itself, are quite aware that not all the managements of investment companies are good and there is no assurance that past good managements may not deteriorate as internal personnel changes occur. This hazard can be overcome by careful investigation and constant watching of performance.

Cases Under Investment Trust Act

In considering the "gross abuse of trust" section of the Investment Company Act, I should like to present to you the facts of some of the less involved cases which have come before the Commission and the courts. Time will not permit a discussion of all of the cases because the facts of each are involved and complicated.

The first time the provisions of Section 36 were invoked by the Commission was in its action filed in the Federal District Court at Kansas City, Mo., in 1942, against United Funds Management Company, a face-amount certificate company, and its officers and directors. The nature of the contract which United sold was such that in the later years in which it was in force the burden of maintaining it became increasingly difficult. The management knew the company did not have sufficient reserves to provide for the payment of its outstanding certificates at maturity. Faced with these bothersome facts, the management embarked upon a campaign to switch their security holders out of their certificates into other investments. As a part of this campaign United mailed to its certificate holders a letter stating that its reserves had been questioned. The purpose of that letter was obvious.

Here was a company whose certificate holders were being induced by the management to surrender their certificates for less than they had paid and to relinquish the benefit of the proportionately greater improvement called for by the certificates as they proceeded to maturity. This plan was calculated to relieve the company of its burdensome obligations at the expense of the certificate holders and thus to enrich the directors and officers, who were the principal owners of the equity stock. Here was a situation where the directors and officers had refused and failed to effect a plan of liquidation which would have been fair and equitable to the real owners of the trust's property.

Because of these alleged facts the Commission filed its action under Section 36 of the Act seeking the removal of the officers and directors for their gross misconduct and gross abuse of trust. In addition, the Commission asked for the appointment of a receiver to conserve the company's assets and to hold them subject to the order of the Court for liquidation and distribution. The District Court issued a temporary restraining order and appointed a trustee to take over the company's assets. While our action was pending, United filed a petition in bankruptcy and was subsequently adjudicated a bankrupt.

I think this case illustrates that an investment company may not be operated in the interests of its officers or directors or in the interest of special classes of security holders. It must be operated in the interests of all classes of security holders.

Let us look at another situation. In the spring of this year the Commission filed an action against First Investment Company of Concord, N. H., and its president, one Charles L. Jackman.[3] The company was comparatively small and was dominated and controlled by Jackman. He also controlled the Northern Securities Co., a personal holding company.

Jackman had engaged in a scheme to acquire the stock of the investment company at less than asset value through his personal holding company as the ostensible purchaser by means of misleading statements in violation of Rule X-10B-5. In addition, this investment company had failed to file with the Commission or submit to its stockholders financial reports as required by the Act. The complete absence of financial information regarding the condition of the company was of great assistance to Jackman in his stock acquisition program. Lack of financial information certainly prevented the establishment of any true over-the-counter market for the company's stock. The company was charged with other violations of the Investment Company Act, such as making loans to controlled affiliates and purchasing securities of affiliates. The Commission's action resulted in a final judgment against First Investment Company, Jackman its president, and his personal holding company. The judgment, which was consented to, besides enjoining the many violations of the Investment Company Act and the Securities Exchange Act, enjoined Jackman from serving or acting in the capacity of officer, director or investment adviser of the investment company. In addition, Jackman stipulated that upon liquidation of the company he would pay to the persons from whom he had purchased the company's securities the difference between the price at which he acquired the stock and the final liquidating value of the stock.

I think this case illustrates the proposition that it is gross abuse of trust for a management of an investment company to purchase company securities from its shareholders without fairly presenting adequate financial information concerning the company.

The last of my illustrations involving the application of Section 36 is the Commission's action against Aldred Investment Trust and its officers and trustees.[4] The Trust was established as a common law trust under the laws of Massachusetts. Its investment policy, until Jan. 1, 1944 was to invest its assets in readily marketable securities of public utility and industrial corporations.

The absolute control of the Trust was vested in the trustees. To the debentures which it sold to the public were attached 100,000 common shares. In addition there were issued 112,000 free common shares which were not attached to the debentures. All shares had equal voting rights. It will be seen that the holder of the free shares had complete control of the Trust. Absent a default in interest, the shareholders were not entitled to put an end to the Trust until the year 2002. The trustees, however, could terminate the Trust earlier. The trust agreement provided that no investment would be deemed improper because of its speculative character. The Trust had been insolvent since 1937. The asset value of the Trust was substantially less than its funded debt. Earnings were insuffficient to meet the interest requirement on this debt. To prevent a default in interest and a possible termination of the Trust, a large proportion of interest was paid out of capital. In the latter part of 1941 the Trust had assets of approximately $2,000,000 and a funded debt of $5,900,000. That was the picture in October, 1941, when one Hanlon bought the controlling block of voting stock for less than $20,000.

What were the details of his conduct and that of most of the other trustees which the Court found to constitute gross misconduct and gross abuse of trust?

Immediately after acquiring control Hanlon elected himself and certain friends as trustees and officers. He was made president of the company. Salaries were paid to trustees and officers. The office of the Trust was moved to Hanlon's brokerage office in Boston. With the Trust facing bankruptcy and unable to meet interest except by the sale of portfolio securities, Hanlon sought to effectuate various plans of reorganization which would relieve him of the pressure of the interest requirements. He was stopped at the outset by the position of the Commission that any plan would be grossly unfair which did not leave the debenture holders in full control of the Trust. Hanlon, however, continued to use capital to meet interest requirements and management expenses when fairness should have indicated the necessity of a fair recapitalization or liquidation. Finding the way blocked to any recapitalization which would leave him in control, he gambled one-third of the Trust's choicest securities in purchasing control of the Suffolk Downs Horse-Racing Track. Since this purchase involved a change in investment policy, the Investment Company Act required stockholder approval. In procuring such approval, the trustees deliberately refrained from telling stockholders anything about the racetrack purchase, the details of which had already been completely arranged. Such notice as was given was a masterful bit of understatement.

The Circuit Court of Appeals in sustaining the judgment of the District Court against the defendants in the Aldred case, said:

"We have examined the record carefully, and in our opinion the only inferences permissible from the evidence and testimony presented at the trial are clearly to the effect that Hanlon and his associates during the period they had the management of the Trust were motivated primarily by ideas of personal gain. From the moment they took over they embarked upon a course of action which culminated in the acquisition of the Eastern Racing Association. That transaction enabled Hanlon and his associates to elect themselves as directors and officers of Suffolk Downs Horse-Racing Track, a business about which they knew nothing but which carried the certain prospect of handsome salaries."

Even eliminating the race track incident, I personally believe the other facts indicated the necessity for injunctive action.

The District Court, in order to prevent future violations by Hanlon or any other nominees he might select, appointed receivers "with the power either to reorganize the capital structure of the Trust or liquidate the Trust and distribute the assets . . ." The Court of Appeals, in affirming the judgment of the District Court, said:

"With respect to the appointment of receivers, the appellants contend that Hanlon, as the owner of voting control, has the power, 'with which no one has any right to interfere,' to supersede the enjoined trustees and elect new trustees; and that, conceding the propriety of receivership, the Commission under the statute has no authority to ask for such relief.

"We do not agree with either of these contentions. Hanlon's voting control represents no equity interest in the Trust, and to permit him to remain in control would be to perpetuate the very conditions that brought about this suit. In granting relief the District Court relied upon its equity power to appoint receivers with power either to reorganize or liquidate the Trust. In the light of the circumstances surrounding this case the only effective means of protecting the interests of the debenture holders was to remove Hanlon from the control of the Trust assets which do not belong to him. Section 36 invokes the equity power of the Federal Court and that calls into play its inherent powers where necessary to do justice and grant full relief. The appointment of receivers in the case at bar was an appropriate exercise of the court's inherent equity power. . . ."

Proposed Revision of the British Companies Act

The problem of breach of duty has [illegible] con-

(Continued on page 2472)

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Diversiform Dishonesty

(Continued from 2471)

cern to the English. In June of this year the Committee on Company Law Amendment, which was appointed before the present Labor Government came into power, recommended major amendments to the Companies Act, 1929. The amendments recommended would be applicable to all companies and would in several respects be broader than Section 36. Under the proposed amendments the Board of Trade would be empowered to appoint inspectors to investigate the affairs of a company if it appears that:

". . . there is reasonable ground for suspecting that there has been fraud in the promotion or formation of the company or that there has been fraud or misfeasance or breach of duty in the management of the business or affairs of the company or that the company has been party to fraud or misfeasance or breach of duty or that a minority of the members or of a class of the members has been oppressed by the majority, or that information has been withheld from members which ought reasonably to have been given to them . . ."[5]

Inspectors may be appointed also upon the recommendation of a court or upon the request of a certain number or percentage of the stockholders.

Where the inspectors' report indicates a prima facie case of fraud or misfeasance the Board of Trade would have the power to apply to the Court for an order to wind up the company.

Reference for criminal prosecution is provided where the Board of Trade deems the facts to justify such action.

While Section 36 of the Investment Company Act is not as broad as the proposed amendment to the Companies Act, once the charges of gross abuse of trust are established to the satisfaction of the Court it has the inherent power to reorganize or liquidate the Trust. The Aldred case is authority for this proposition.

No Definition of Fraud

I want to make it clear that the recitation of the facts in the cases to which I have referred is not in any way to be taken as delimiting the extent of Section 36. Like fraud, abuse of trust is not a fact but a conclusion to be drawn from facts. The terms "gross abuse of trust" or "gross misconduct" should not be limited by any hard and fast definition. Both constitute fraud in its general sense. In this connection I think a quotation I cited last year is applicable. Judge Lamb of the Missouri Supreme Court said:

"Fraud is kaleidoscopic, infinite. Fraud being infinite and taking on protean form at will, were courts to cramp themselves by defining it with a hard and fast definition, their jurisdiction would be cunningly circumvented at once by new schemes beyond the definition. Messieurs, the fraudfeasors, would like nothing half so well as for courts to say they would go thus far, and no further in its pursuit."[6]

The declarations of policy as set forth by Congress in Section 1(b) of the Investment Company Act are a good guide in any interpretation of gross misconduct and gross abuse of trust. As the Court properly held in the Aldred case, the interpretation of gross misconduct and gross abuse of trust as used in Section 36 will depend not only upon relevant common law principles of fiduciary duties but also upon the declaration of policy as set forth in the Act.

Congress has declared that the policy and purposes of the Act are to mitigate and so far as is feasible to eliminate certain enumerated conditions which it found adversely affected the national public interest and the interest of investors. Congress states that the provisions of the Act shall be interpreted in accordance with its policy and purposes. Congress has also declared that the national public interest and the interest of investors are adversely affected—

"(1) when investors . . . receive dividends upon, vote, . . . sell, or surrender securities issued by investment companies without adequate, accurate, and explicit information, fairly presented, concerning the character of such securities and the circumstances, policies, and financial responsibility of such companies and their management;

"(2) when investment companies are . . . operated, managed, or their portfolio securities are selected, in the interest of directors, officers . . . or other affiliated persons . . . rather than in the interest of all classes of such companies' security holders;

"(3) when investment companies . . . fail to protect the preference and privileges of the holders of their outstanding securities;

* * *

"(5) when investment companies, in keeping their accounts, in maintaining reserves, and in computing their earnings and the asset value of their outstanding securities, employ unsound or misleading methods, or are not subjected to adequate independent scrutiny;

"(6) when investment companies are reorganized, become inactive, or change the character of their business . . . without the consent of their security holders;

* * *

"(8) when investment companies operate without adequate assets or reserves."

I believe that any substantial deviation from that codification of the fiduciary obligations imposed upon directors and officers of investment companies, ipso facto, constitutes gross misconduct and gross abuse of trust. And once such a deviation is established the power of the Court to reorganize or liquidate the Trust should not be lost sight of.

Practice Standards Improved

My remarks are not meant to imply that most investment companies which had been operating in this country before 1940 were guilty of unfair practices or were mismanaged. I feel we should be pleased that progress has been made by the members of the industry voluntarily to eliminate some of the major abuses and deficiencies and to improve generally standards of practice.

With personnel problems being gradually alleviated, those charged with the administration of the regulations and requirements pertaining to the distribution of investment company shares will be able to give more and more attention to the problems in the industry. To paraphrase a statement by a member of the industry, although no amount or kind of government regulation can guarantee good investment management or insure investors against losses, the investment company industry itself can provide considerable protection against the recurrence of past abuses and excesses that characterized early investment company history.[7]

At no time in the history of the country has the bulging public pocketbook looked so inviting to our perennial get-rich-quick Wallingfords. We must therefore intensify our efforts to combat the subterfuge and sharp-tongued salesmanship of those who would indulge in nefarious schemes in connection with the purchase or sale of securities. At the same time we must not lose sight of the more devious dishonest practices within the corporate enterprise itself. We must be alert to dishonesty however diversiform. The prospective investor must be alerted to investigate before he invests in any venture, including an investment company, and to watch the performance of any company in which he invests. I repeat, the investment company is important in our national economy and provides a medium for public investment in common stocks and other securities; but we should never forget the limitations on conduct of management or those in control of a corporate enterprise. I close with this statement of Mr. Justice Douglas:

"He who is in such a fiduciary position cannot serve himself first and his cestuis second . . . He cannot use his power for his personal advantage and to the detriment of the stockholders and creditors **no matter how absolute in terms that power may be and no matter how meticulous he is to satisfy technical requirements. For that power is at all times subject to the equitable limitation that it may not be exercised for the aggrandizement, preference, or advantage of the fiduciary to the exclusion or detriment of the cestuis.** Where there is a violation of those principles, equity will undo the wrong or intervene to prevent its consummation . . . Otherwise, the fiduciary duties of dominant or management stockholders would go for naught; exploitation would become a substitute for justice; and equity would be perverted as an instrument for approving what it was designed to thwart."[8]

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[1] Story Eq. Jr. §187; *Moore* v. *Crawford*, 130 U. S. 122, 128. [2] Section 36. 15 U. S. C. 80a-35. [3] Civil Action, File No. 400; USDC New Hamp. June 19, 1945. [4] *SEC* v. *Aldred*, 58 Fed. Supp. 724, —— F. 2d ——, (CCA 1, Sept. 17, 1945). [5] Report of the Committee on Company Law Amendment, p. 101. [6] *Stonemets* v. *Head*, 248 Mo. 243; 154 S. W. 108 (1913). [7] Investment Companies — 1945 Edition — Arthur Wiesenberger—p. 47. [8] *Pepper* v. *Litton*, 308 U. S. 295, 311 (1939).

India as an American Export Market

(Contiued from page 2450)

gold. Her reserves of coal are immense, though the proportion of high-grade coal is said to be comparatively small. This deficiency, however, is more than offset by her immense potential resources of water power, probably the second largest in the world. Only about 3½% of the estimated potential horsepower has so far been developed.

In agricultural products India holds a virtual monopoly in jute and heads the list of the world's producers of sugar, tobacco and oilseeds. She is the second largest producer of cotton, rice and tea, and is among the leading producers of wheat, barley, coconuts, rubber, hemp, lac and silk. A third of the world's livestock is in India, and she is the largest exporter of hides and skins, raw as well as tanned.

—and Incredible Poverty

And yet, with all these vast resources, India today is among the poorest countries in the world. Her gross national income barely amounts to $19 per capita per year, or five cents per head per day. For 60% of her total population of 405,000,000 the average per capita gross income is less than five cents a day. In other words, the average Indian income is just enough either to feed two men in every three of the population, or give them all two in place of every three meals they need, on condition that they all consent to go naked, live out of doors all the year round, have no amusement or recreation, and want nothing else but food, and that the lowest, the coarsest, the least nutritious.

Poverty, starvation and disease stalk the land. Nearly two-thirds of the population are chronically under-nourished and disease-ridden. Well over 100,000,000 people suffer annually from malaria alone. Nearly 10,000,000 people die every year, mostly from preventable diseases. The rates of infant mortality and maternal mortality are the highest in the world. The mean expectation of life is less than 27 years.

The crux of India's economic problem today is the terrific pressure on agriculture and the lack of industrialization. For nearly 70% of the population subsist on agriculture, and about 90% are directly or indirectly dependent on the land. Barely 1% are engaged in organized industry, and not more than 5% derive their living from industry of all sorts, including cottage industries and handicrafts.

"Eighth Industrial Country"

We are often told that India is one of the eight chief industrial countries of the world. How different the economic picture in India would have been if this were true. Actually, this myth was fabricated in 1922 in order to secure for British imperialist interests an extra seat in the governing body of the International Labor Organization. The claim was not based on India's industrial activity or output, or even on the number of persons employed in organized industry. It was based on a fictitious figure of 20,000,000 "industrial wage-earners"—composed overwhelmingly of village artisans, handicraftsmen and others, bearing no relation whatsoever to modern industry.

But India *was* the leading industrial country in the world at one time, as industry went in those days. It was the lure of India's fabulous wealth in manufactured goods—and not raw materials—that first attracted European traders to her shores. For centuries before the British conquest of the country India's silks, cotton textiles, metal manufactures and woodwork were known and prized throughout the world. Even towards the end of the eighteenth century nearly £100,000 worth of Indian cotton textiles used to be imported annually into America. Today India's exports of manufactured goods are almost negligible. These age-old industries have been systematically and deliberately destroyed during the past 180 years, in order to reduce India into a source of raw materials and a closed market for British manufactures.

During the past half a century or more this system of economic emasculation has assumed a more refined and scientific form. Part of the "plunder" taken out of the country has been reinvested in India, through the establishment of a closely-knit chain of industrial and commercial enterprises which has insured a larger share of profits for the British interests. Today more than three-fourths of the organized industry in India is in British hands. The so-called British capital "investments" in India probably do not exceed $2,500,000,000 at present, but this figure represents only a small portion of Britain's total economic stake in the country. The assets and reserves of the various British concerns operating in India amount to many times this figure. The profits also are immense, and cases are not rare of actual dividends of 200% to 300% per share having been paid. Then there are the fantastically high salaries, allowances and pensions drawn by Britishers in India. These also amount to a huge total. Altogether, nearly one-twelfth of India's gross national income of some $7,000,000,000 a year goes into British pockets. To cover up the truth regarding the huge proportions of this annual "drain" out of India, British spokesmen assiduously try to explain that India does not pay any "tribute" to Britain—as if any colonial country has done so since the American War of Independence—and that Britain's economic stake in India is almost negligible.

War-Time "Expansion"

Another matter on which considerable misinformation has been circulated in this country, in England, and even in India, is the nature and extent of India's industrial activity during the war. It is often stated that Indian industry expanded considerably during the war. Available facts, however, do not bear out this contention. In fact, they point quite to the contrary. Mills and factories in India, which constitute the so-called organized industry of the country, derive their power from coal and electricity. Coal output or coal "raisings" from the mines fell sharply during the war years. Coal dispatches from the mineheads also decreased proportionately. The output of electricity increased slightly, but not enough to offset the loss in coal production. Altogether, the supply of industrial power was less than it was in 1937-38. How could the mills and factories, therefore, work more if their power supply is less?

Many of the jute mills were in fact closed down due to shortage of coal and loss of export markets. Tea production was less, and so was sugar and cement production. The only major industries which showed any real increases in output since the war were cotton textiles and steel. The output of cotton mills increased from some 4,200,000,000 yards to about 4,700,000,000 yards per year; and the output of steel increased from about 800,000 tons to about 1,200,000 tons per year. The overall picture, however, was that industrial activity in India during the war was less than it was in the peak years of 1937-38. This is also borne out by the monthly index of industrial activity in India, compiled and published by "Capital," the leading British-owned financial and industrial journal of Calcutta.

The real reason behind this singular failure to expand production was the anxiety of the British vested interests to ensure that even the stress of war-time necessity did not enable Indian industrialists to make any real headway which might jeopardize Britain's absolute hold on India's economy. Not a single new industry has been allowed to be established in India during the last five years of war. Only some comparatively unimportant articles which were not produced in the country before the war were allowed to be manufactured in experimental quantities. Few of them are likely to survive now in the post-war competitive market.

India's much-publicized industrial war effort, therefore, actually amounted to this: The sum-total of industrial activity has not increased, but a very large proportion of existing production—in some cases amounting to nearly 90% of the total output—was diverted from civilian consumption to war supply. And this has been misrepresented and boosted as "war-time expansion of industry."

The Real Picture

The real economic picture in India during the past few years has been one of acute shortage of food grains and consumption goods, brought about by loss of imports and heavy war purchases. Prices all around have rocketed sky-high, the general inflationary tendency being aggravated by the indiscriminate issue of Government currency notes in order to pay for the war purchases. Maldistribution, inadequate transport facilities, lack of effective controls, Government and private hoarding, inefficiency of the administrative machinery, lack of popular support for Government—all these have contributed to a further worsening of the situation. Prices in many cases have shot up to 1,000% or more over pre-war levels, and the general cost of living has risen by 250% to 300%. While some people have reaped enormous profits from war orders, speculation and black market operations, the vast majority of the population who already were on the verge of starvation have been reduced to a state of utter destitution, unparalleled within living memory. Famine and pestilence have ravaged the land, killing off over 5,000,000 people and incapacitating some 50,000,000 more* within the past 18 months alone. Few countries even in occupied territories have paid such a high price for the war.

India's Sterling Assets

The total value of war supplies and other goods, services and credits obtained from India by the British Government since the outbreak of war amounts to over $5,400,000,000. The major portion of these supplies and services have been used in the North African, Middle Eastern and other overseas theaters of war. They have been paid for in sterling, which has been placed to India's credit in the Bank of England. Of the total balances so held, about $1,350,000,000 has already been utilized for the liquidation of India's so-called sterling debt,† and the rest has been "frozen" for the duration. These frozen sterling assets now aggregate nearly $4,000,000,000 and are increasing at a rate of more than $200,000,000 per month.

The liquidation of India's sterling debt and the accumulation in its place of huge sterling assets have been boosted up by British imperialists as a supreme example of Britain's "generosity" towards India. We are told, for instance, that India has been transformed almost overnight from a debtor country to a creditor country largely owing to the fact that Britain has been generously shouldering the major part of India's defense expenditure. If we examine the true nature of the transaction, however, it becomes obvious that the redemption of the sterling debt and the freezing of the sterling assets represent, in effect, a forced loan wrung out of India at the cost of the blood, sweat and tears of her starving millions. India was declared a belligerent without her consent. She was denied the right to arm herself and fight as a free and equal partner of the United Nations. The so-called "two million volunteer army" which Britain has been able to raise in India remains in reality a purely mercenary army—an army of "rice soldiers"—in spite of all ballyhoo to the contrary. To squeeze out of her, on top of all this, a loan of over $5,000,000,000 and then to misrepresent it as an act of generosity on Britain's part in the cause of India's own defense, becomes a bit of a cruel joke.

Financial "Rope Tricks"?

During the past couple of years India has become increasingly apprehensive that Britain will not honor this debt, or will at least repudiate the major part of it on some excuse or other. Recent official and semi-official statements in England, coupled with India's bitter experiences after the last war, afford good cause for such misgivings. Already a substantial sum appears to have been earmarked for a proposed commutation of salaries, pensions, annuities, etc., of British officials retired from India. Then there is the question of the so-called "financial settlement," or the final apportionment of the war expenditure as between Britain and India. According to a tentative arrangement made some two years ago, this was estimated to work out at a ratio of about three to one. Recent reports from London, however, indicate that British financial pundits, led by Lord Keynes, are maneuvering to place a much higher burden on India. Dark hints to this effect are frequently being bandied about. One London dispatch dated June 24, 1944, ominously stated: "Whatever the Indians may say about it, this huge expenditure has been made to prevent India from being made a Japanese province." As if Britain had no personal interest in fighting the wars in North Africa, Abyssinia, Eritrea, Syria, Iraq, Iran, Burma, Malaya, Singapore and Hongkong; as if all these wars were fought for defending India's "freedom" against Axis aggression! Another suggestion recently made is still more revealing and perhaps reminiscent of the notorious "Reverse Councils" after the last war. Sir Purshottamdas Thakurdas, a leading Indian financial expert, referring to it, said: "It is hinted that if India does not reduce her demands on sterling, it may have to be depreciated to meet the balance of payments position. In brief, India is asked to commit financial suicide in order to save herself from financial slaughter."

India is deeply apprehensive whether even a small proportion of her sterling assets will be left intact after all these financial rope tricks have been performed. If anything does remain, it will probably be utilized for financing Britain's own exports to India, as and when she can deliver the goods. Never before in history has a creditor been so ruthlessly at the mercy of the debtor!

India Wants Dollar Credits

For herself, India is most anxious that a substantial proportion of her sterling assets should be transferred to the United States and converted into dollar credits to enable her to buy freely from this country after the war. Hitherto, every attempt made by Indian industrialists to import capital goods from the United States has been thwarted by British refusal to grant import permits or to extend dollar credits. Whatever dollar credits India has been able to acquire through her increasing trade in private merchandise with this country have been either absorbed in the Empire dollar pool or frozen as part of the sterling assets, leaving India no scope for utilizing them for her own commercial requirements. True, Britain has now, with a flourish of generosity, agreed to set apart for India's use a small portion of the dollar credits accruing to her; but it is doubtful if these credits will suffice even to meet the cost of current cash purchases of war materials from America, not to speak of the ultimate adjustment of lend-lease accounts. Obviously this generous gesture was intended more as a "sop" to America than as an actual concession to India.

So far Britain has turned a deaf ear to India's persistent demands for conversion of a part of the sterling assets into dollar credits. At the Bretton Woods monetary conference two of India's delegates, British nominees as they were, feebly broached the subject of such conversion. Lord Keynes and his colleagues in the British delegation asked them to withdraw the proposal on the ground that such conversion would make it more difficult for Britain to meet her obligations to the United States and that, in any case, it was Britain's private affair and as such outside the purview of the conference. One fails to see how the transference of a portion of India's balances from sterling to dollar could hamper Britain's ability to repay America, unless it were assumed that Britain has no intention of honoring her debt to India.

How America May Help

Though the immediate prospects of obtaining sufficient dollar credits thus appear somewhat obscure, India certainly has not given up hope. She wants to buy freely from the world market, and especially from America, and she has enough faith in the good sense and sound business instincts of Americans to feel that, in their own interests, they will not let the present state of affairs continue. She hopes that American economists and business men, who are now casting about for new outlets for the expansion of American economy, will soon see through the maze of misrepresentation, concealment and perversion which has deliberately been built round the whole Indian picture. And she is confident that once they do so and realize the vast possibilities of expanding American trade with India, they will do their best, by rousing public opinion and otherwise, to prevail upon the Administration to take some effective steps in the matter. Even if such steps fail, though there is no reason to apprehend that they will, India feels certain that American business men will devise other means of expanding trade relations with India. This can, for example, be easily done by extending long-term credits to India, to be adjusted against future accumulations of her increasing balance of trade. India's vast output of raw materials, much of which America already uses and more of which she can profitably use, provide a

(Continued on 2474)

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*These estimates are not based on Mr. Amery's statements in the House of Commons, but on the results of sample surveys made by the Anthropological Department of the Calcutta University.

†Much of this debt was originally built up by charging to India such items as the cost of transference of the country from the hands of the East India Co. to direct rule by the Crown, the costs of the Opium Wars in China, a war in Abyssinia, the conquest of Burma, a reception to the Sultan of Turkey in London, maintenance of consular and diplomatic representations of the British Government in Persia, Iraq and China, and even part of the expenses of the British Mediterranean Fleet.

Securities Salesman's Corner

By JOHN DUTTON

Good Customers Are Worth Cultivating

It's either a feast or a famine—that's the securities business. Today business is good—but back in 1939 it was different. In those days every salesman was happy to have all the customers he could get—large or small accounts—every one was welcome. In those days no one had too much business. But what about today? There are more customers for securities than there are securities. The tide has turned—after 16 years we are once again witnessing a parade of stock buyers from one corner of the land to another. It all goes to prove that HISTORY DOES REPEAT ITSELF AND DON'T EVER BELIEVE THAT IT DOESN'T.

From the salesman's viewpoint (and that's what we are concerned with in this column) the problem today is making the most out of present opportunities. What is the best way to "cash in" on this buil market? Sell good securities, of course. Sell securities that will perform well for your customers. These things are basic. But what about a salesman's time? What about his end of the business? For years he has been talking his heart out trying to convince a lot of people that 1929 was past . . . that good investments were preferable to cash . . . that there were opportunities to receive a generous return on investments; and also achieve an appreciation in principal. A few people believed him and today they can be thankful for it. But most individuals are just beginning to wake up to the fact that securities are attractive investments ONCE AGAIN.

Today the public is back again "in the market." So once again a host of avid stock buyers; many of them bent on making a "quick profit," are eagerly asking some salesman they know such questions as, "WHAT SHALL I BUY?" "How can I make money?" That's the $64 question today.

As far as we are concerned, we'd leave all of these "get-rich-quick customers" to their own devices. THERE IS ONLY SO MUCH TIME IN A DAY. For some men it's eight hours . . . a few will put in a longer day; BUT IF YOU ARE GOING TO MAKE THE MOST OUT OF YOUR TIME WHEN MEASURED IN RESULTS AND DOLLARS AND CENTS, THERE IS ONLY ONE KIND OF CUSTOMER TODAY THAT'S WORTHWHILE—HE'S THE ONE WHO GIVES YOU HIS CONFIDENCE AND WHOSE BUSINESS IS LARGE ENOUGH TO BE WORTHWHILE.

Selling securities is the most personal sort of business. There is no reason why a salesman shouldn't do business with the people **who like him,** and who have **enough business** to make it worthwhile for him to cultivate, not only their **business, but their friendship.** There is no line of endeavor in which human beings are engaged where there is any bar to the cultivation of a close, personal relationship. As far as we are concerned, we believe that if a salesman has good customers he should show them every courtesy. We don't bar the line at gifts, personal favors, luncheons, or even staying as a week-end guest of a good customer. The better you know people—the more you like them—know them—and they like and know you . . . THE BETTER JOB YOU CAN DO FOR THEM AS FAR AS CONCERNS THEIR INVESTMENTS.

The reason this is true is very obvious. The basis for success in the investment of money, wherein a salesman proposes and an investor has the final say in the matter, is first of all predicated upon confidence in the salesman. Timing, that important ingredient in any successful investment program, can only be accomplished if the client ACTS WHEN THE SALESMAN SAYS IT'S TIME TO BUY OR SELL. If a salesaman knows his business his client will only benefit to the extent that he follows that salesman's suggestions. The closer the two parties concerned are attuned to each other's viewpoint, the better will be the results.

The greater the concentration a salesman puts into the development of large accounts—the less he bothers with the small fry . . . or the free rider . . . or the get-rich-quick speculator . . . and the fellow who wastes his time and then finally gives him a small piece of business that isn't worth the effort he put into it . . . the better off that salesman will be. The salesman who CONCENTRATES UPON THE SIZABLE ACCOUNTS AND THEN MAKES IT HIS BUSINESS TO KNOW HIS CUSTOMERS AND TO BECOME AS FRIENDLY AS POSSIBLE, IS THE ONE WHO IS GOING TO MAKE THE REAL MONEY DURING THE NEXT FEW YEARS. And he will do it with less effort, and in a much more enjoyable manner THAN IF HE TRIED TO DO BUSINESS WITH EVERYONE . . . NO MATTER WHETHER THEIR BUSINESS WAS WORTHWHILE OR NOT.

Hytron Radio & Electronics Corp.
Common Stock
Prospectus on request
•
HERRICK, WADDELL & CO., INC.
55 LIBERTY STREET, NEW YORK 5, N. Y.

Specialists In
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MINING STOCKS
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O. C. JOHNSON
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46 Front Street, New York 4, N. Y.
Chicago San Francisco

India as an American Export Market

(Continued from 2473)

sound security for extending such credits.

One thing that India is afraid of is the likelihood of powerful American business groups being inveigled into partnership with British vested interests in the exploitation of India, as a foil to possible American competition in the Indian market. In view of her long and bitter experience of imperialist exploitation such fears on the part of India are perhaps understandable. Informed American observers returning from India have reported that such fears and suspicions do exist and are, in fact, fomented by the British interests themselves. For the sake of America's good name, if for nothing else, these fears and suspicions must be allayed, and the best way of doing so is for the heads of the Administration and of industry to make unequivocal declarations of America's genuine sympathy with Indian aspirations and her desire to do business with India on a free and honorable basis.

A Plan of Economic Development

The extent to which India may provide a market for American goods in the immediate post-war years is somewhat difficult to assess, in view of the uncertainties attaching to India's political and economic status after the war. But some idea of the nature and extent of India's requirements in capital goods once she is able to embark on a program of economic development—which can reasonably be expected to be in full swing within the next decade—may be obtained from the so-called Bombay Plan which has recently been put forward by eight of India's leading industrialists. The plan, which derives its inspiration and most of its data from the preliminary reports of the National Planning Committee set up some years ago by Pandit Jawaharlal Nehru, does not pretend to be a blue-print for India's economic development. It is merely a presentation of its author's views and suggestions, which may or may not ultimately be acceptable to the country as a whole, as to "the objectives to be kept in mind in economic planning in India, the general lines on which development should proceed and the demands which planning is likely to make on the country's resources." The fundamental assumption underlying the plan is the formation, on the termination of the war or shortly thereafter, of a National Government of India vested with full freedom in economic matters. The principal objective of the plan is to bring about a doubling of the present per capita income within a period of 15 years from the time the plan comes into operation. To achieve this increase the authors propose that the plan should be so organized as to raise the net output of agriculture to a little over twice the present figure and that of industry, including both large and small industries, to approximately five times the present output.

The total capital requirements of the plan are estimated at $30000,000,000, distributed as follows: industry, $14,440,000,000; agriculture, $3,720,000,000; communications, $2,820,000,000; education, $1,470,000,000; health, $1,350,000,000; housing, $6,600,000,000, and miscellaneous, $600,000,000. For purposes of execution, the plan is proposed to be divided into three five-year plans costing $4,200,000,000, $8,700,000,000 and $17,100,000,000, respectively. The suggested sources of finance are as follows: (a) external finance: hoarded wealth, $900,000,000; sterling assets, $3,000,000,000; balance of trade, $1,800,000,000; foreign borrowing, $2,100,000,000; (b) internal finance: savings, $12,000,000,000; "created money," $10,200,000,000.

Market for America

It is not perhaps unreasonable to assume that at least one-third of the total capital expenditure suggested in the plan, that is to say $10,000,000,000, would have to be spent on capital goods, mostly of foreign manufacture. As America is likely to be the only country, during the immediate post-war period, able to meet such huge demands with speed and efficiency and on comparatively favorable terms, there is no reason why she should not be called upon to supply the major part of the requirements, if she so desires. Even assuming that she undertakes to supply half the requirements, her net share of the total orders for capital goods may well amount to $4,500,000,000, distributed progressively during the three five-year periods.

The above estimate is intended merely to illustrate the importance of India as a potential market for this country; it must not be construed to be an invitation to count the chickens before they are hatched. For much would depend on the nature of the struggle which India may yet have to wage before she is able to achieve her ultimate goal of complete economic and political freedom. Much would also depend on the extent of moral support and encouragement she may receive, now and later, from those who profess to champion and cherish the cause of a free and democratic world economy.

Traps and Pitfalls

Meanwhile, signs are not wanting that India's efforts to achieve her economic development will be beset with many traps and pitfalls. The reception accorded to the Bombay Plan in British official and semi-official circles, for example, gives an inkling of the subtle maneuverings going on behind the scenes. The first official reaction to the plan, as evidenced by the inspired comments of the London "Economist" and other journals, was one of unalloyed criticism and open hostility. This was followed by a soft-pedaling on the critical note and a labored attempt to discover some good points in the plan. Next came a broad gesture on the part of Viceroy Lord Wavell to give a death kiss of official patronage to the plan, coupled with an invitation to its sponsors to a round of wining and dining in London. And now, finally, there is an overt move by Government to take the whole thing under its own wing—and so neutralize it. For its own part, the Government has put forward a series of paper plans which India suspects to be a subterfuge to divert attention from the main political issue. They also fear that any scheme which may ultimately be put through will be only an added instrument of imperialist exploitation, cleverly camouflaged perhaps under an Indian facade but actually designed to secure a more vicious stranglehold on the country's economic and political life.

A New Confidence

India, however, is determined no longer to take it lying down. Out of her travail and desperation has emerged a new confidence, a new spirit of grim resolve to mould her destiny according to her own needs and desires. And she is fully confident of achieving her goal in the not too distant future. A free, progressive and prosperous India is sure to prove a bastion of democracy and a mainstay of an exanding world economy. Along with China and Russia she may then inaugurate a new era of peace and prosperity in the Eastern Hemisphere, which will no doubt be a source of permanent gain to America, Britain, Europe and the rest of the world. America, with her immense prestige, power and resources, can do much to hasten the day of such a reawakening. Is she willing and prepared to take up the task?

Some Problems Facing Industry

(Continued from first page)

gether; neither can long prosper unless the other prospers.

So, specifically, and frankly, I would like to present to you today some of the manufacturers' problems, the solution of which will not only affect the future of the industry but also the future of agriculture.

During the past few years manufacturers (as well as farmers) have been under the control of government. In practically every phase of their business, manufacturers—

Finance—Through the SEC and taxes.

Plant — Through government control of materials.

Production Plans—By government control of schedules.

Raw Material—By government allotment.

Raw Material Prices—By government control of prices.

Labor Supply—By government employment agencies.

Wages—Through labor boards and unions.

Distribution — By government allotment.

Sales Prices of Products — By the OPA.

Profits—Limited and controlled by excess taxation which is now confiscatory.

Working Conditions in the Plant — Through government inspections of various kinds.

Some of these controls have been lifted in whole or in part but such removals have not been effective in several cases because of the controls existing elsewhere, so in speaking of the problems of the immediate future of industry we must keep in mind the conditions under which industry is now trying to operate.

In discussing some of our daily problems we naturally turn to the most important at the moment, and that is—

Labor

(Labor Shortage) Whether this is real or not cannot be demonstrated until there is released from the army and navy the millions who are not required, and released from the government civilian service other millions who are not required and who are now merely an excess burden on the backs of the producing people of this country—like an old man of the sea; until we cease making excessive payments from reserves for not working. There are many communities today in which there are an ample number of unemployed persons to take up the slack, but they are encouraged to loaf on unemployment compensation rather than to work for wages which are reduced by income tax deductions, labor union dues and fees, social security deductions, etc.

There is also the restriction which prevents a man from freely making his own contract. There must come a restoration in this country of the constitutional right to work, which has been largely removed or eliminated by labor unions with the support of labor boards or other representatives of the government itself. The American citizen is almost without the right to make his own contract, which is the right to make a living, until he first subordinates himself to some so-called labor leader. Until these obstacles are removed and we have returned to the American system, we cannot tell whether there is a real shortage of labor or real unemployment.

At this point it is desirable to make clear that there is much misleading propaganda going around the country, in the press and otherwise, regarding employment and unemployment. Politicians are talking about 60,000,000 jobs; others say 55,000,000 or 57,000,000 and in practically all cases they speak about the necessity for providing these jobs as being a **burden of industry**. The natural public reaction to this word "industry" is "manufacturing industry."

The real facts are that the manufacturing industry has never employed more than 24% of the gainfully employed, therefore, under any percentage of employed, manufacturing industry would normally be expected to give employment to something just under 25%, agriculture 20% approximately, and 55% in other lines of endeavor.

Along with this matter of labor goes the question of wages and cost of manufacture which determine selling prices. It is interesting to note that hourly earnings today, in the manufacturing industry, are something over 100% above the normal level of 1923 or 1929, while **wholesale prices**, as shown by the Bureau of Labor Statistics, are only approximately 7% above the normal of 1926.

The cost of living, likewise, as determined by the Department of Labor, is approximately the same amount above normal as the wholesale index of prices, viz. 7%.

Obviously this great discrepancy cannot last indefinitely and prices must go up or labor rates must go down so that prices and labor rates will be nearer together. In other words, the problem of industry is to bring the level of hourly earnings and prices more nearly in line where they can be economically justified and maintained.

In spite of this obvious truth there is at the moment general nation-wide demands for excessive increases in hourly wages whereby the factory employees would secure **52 hours pay for 40 hours work**, together with other advantages that are included in union demands.

In view of the fact that wages constitute from 80% to 90%* of the cost of most manufactured products, it is obvious that any such demands, if granted, would mean a substantial increase in prices, especially in view of the fact that prices today are below the point where they should be, based on present wage rates. A further increase in wages would make an even larger increase in prices necessary eventually. This includes wages from mine and forest to factory warehouse.

The only offset to this is the fact that there has been some technological advances which have the effect of reducing or holding down costs, but these advances only run at the rate of about 2½% per annum. Wage levels have advanced far more rapidly than the technological reduction of costs. Furthermore, when a reduction in costs is made by some improvement in machinery and methods, the benefits cannot all be extended to labor. The consumer and the stockholder must receive their fair share, otherwise there is no incentive for the investment of savings which is necessary in making such technological improvement. As the matter stands today, the stockholder is receiving a smaller return on his investment than he formerly did.

The 40-Hour Week

Another problem facing industry on the labor front is the labor legislation restricting the weekly hours to 40, with penalties for running beyond 40 hours. Wages can be increased and hours reduced in industry only if improvements are made in methods, machinery, etc. There is nothing else to support such increases in wages or reductions in hours. Legislatures or Congresses cannot decide by legislation that hours shall be so and so, and wages shall be so and so. This is beyond their power. **Real wages** and **real hours** will be governed by forces far more powerful than that of political bodies. The men who work in a farm machinery plant, only 40 hours a week, cannot expect to trade their services freely with the farmers who are working 60 or 70 hours a week. This kind of trade is undoubtedly restricted very much under what it might be.

The result is that the farmer secures less machinery and the workman is out of work more weeks in the year; thus he pays the penalty for the 40-hour week. This principle is very well illustrated in the building trades, where workmen cannot afford to buy or live in the houses that they themselves build.

In addition to these fundamental facts we have the tendency of labor unions to introduce and to compel the pegging of production. In other words, restrict the individual in the amount he may produce per hour or per day. This is a well-known and quite general practice. It is an economic fallacy and grows out of the false idea that the total possible amount of work is limited and must be divided up. It is just as erroneous as the idea of the 40-hour week established by legislation. We can only have greater wealth and wider distribution by greater production. This is so obvious that all of us should understand it. It is amazing therefore to find, still in existence and widely practiced, a method of reducing and restricting production which has the effect of reducing the standard of living for everyone.

Material

The supply of materials in industry is one of the most difficult problems facing it today, due to strikes and the rising costs of such raw materials. For example, steel, castings and lumber today are being produced in relatively small quantities due—

(a) Primarily to labor disturbances.

(b) Secondly to government interference and restrictions.

This restriction on the supply of raw material may have even greater effect than the labor disturbances in the final manufacturing plants which may occur during the next few months. Together they may have a very important effect in reducing the amount of goods that will be available for the farmer during the coming year.

The remedy for the situation is simple. All we need is a restoration of law and order in this country and the insistence by our people upon our public servants carrying out their oaths of office and the law; to restore the right to work so those who do not want to work may quit for any reason whatsoever, and those who want to work may work without molestation or interference from anyone. When this condition of Americanism is restored to this country, 90% of our industrial difficulties will pass away. The so-called labor problem in this country does not exist in fact; it is a political problem, and a failure of local, state and national governments, the people's servants, to carry out their sworn duties.

No industrial labor or similar problems can be solved unless there is a condition of law and order. Collective bargaining should not be allowed to cover up collective coercion and collective lawlessness.

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*See page 99—National Income in United Sales 1929-35. Published by Dept. of Commerce.

Another problem in industry at the present time is the inability to restore and renew buildings or to build new buildings because of the materials supply and general restrictions, such as the inability of contractors to make reasonable bide due to the unsettled conditions.

Prices

Another problem confronting business today is prices, which are limited and restricted generally to the 1942 levels by the OPA. During the period of price restrictions the government, through the decisions of Labor Boards, have supported the demands of labor unions to such an extent that prices now have fallen far behind the increased costs of production. This has been concealed up to the present time by the fact that most manufacturers have been working second and third shifts with large volume production, and have been engaged in a substantial war program where the prices were not controlled by the OPA. Now that industry is returning to civilian production, and probably a one-shift basis instead of a two or three shift basis, and the volume may be much lower, most industries will be thrown into the red figures through the increased costs referred to and the pegged ceiling prices established by the OPA. Under this condition profits which are already lower than pre-war because of taxation, will disappear.

Taxes

Along with this, of course, is the question of taxes, which are on a confiscatory level. You really cannot speak of them properly as taxes when a government takes more than 10% of the national income—then they have gone far beyond the field of taxation into the field of confiscation.

Engineering and Development

Articles in papers, magazines, etc. which are easily written, have promoted the idea that there will be miracles presented to the American people after the war because of the great advance in one or two lines, such as plastics and chemicals. These promises or implied promises have given rise to many fantastic expectations and ideas.

So far as farm machinery is concerned we know of no outstanding miracles to be expected. There will be some improvements, of course, but the facts are that the energies of engineers and men in development work in most industries have been diverted to war production and development of methods and techniques to produce war goods. Our organization has devoted all the time and effort possible to the improvement and development of farm machinery. In our estimation the development of farm machinery will be gradual; improvements will come as soon as they can be properly studied, tried out and applied. Our industry will continue to study the farmer's problems and to help him solve them. As each one is solved there will be another one come up, and new ones will develop from time to time; new ideas, new crops; new methods of handling, and new machinery adapted to them will continue. This progress we believe will go on into the future in a perfectly natural way. We see no miracles ahead of us.

We do not consider that all the problems of the farm are solved by any means but we, as manufacturers, will help, as always, because we recognize very clearly that only as we can help the farmer can we expect to live as an industry. Our reward will be in direct proportion to our service to the ultimate users of our product.

Observation of years has indicated that manufacturing and farming are very similar; both are lines of endeavor which take raw materials and try to make them into finished products. The same principles of succesful management and rewards are involved in both cases; they are both dealing with Old Mother Nature and the natural laws of the universe, and they both must learn that wealth cannot be created by propaganda or political speeches or promises. On both the farm and in the factory good equipment and good facilities and good management bring results. Balanced all-year round operations are necessary in both cases for the best results.

We must, however, look the plain facts in the face—that not all farmers or manufacturers are alike. Some are better than others because of their natural ability as managers. One of the peculiar facts about people is that they think fairly straight in many phases of life, such as in sports, activities, music, the arts, and certain professions; in other words, we recognize that one person can sing better than anotner; that one person is a better baseball player than another, or a better pugilist, or even a better doctor, but for some strange reason, when it comes to the economic production or business side of life, we seem to feel that because one business does better than another there is something unfair in the situation and we try to restrict, tax away or confiscate the rewards of unusual ability. It is exactly as though we might penalize or hobble in some manner the good athlete or muzzle the good singer and thus try to make good singers and good athletes out of all of us.

Farmers and manufacturers have a greater mutual interest than they realize; the facts indicate that the wages of employees in industry almost exactly parallel the farm income. This is perfectly logical and natural when we consider that about half of our people are living on the farm or in rural communities and the other half live in the cities. The products of the people in the cities must be exchanged with the products of the rural half for their mutual benefit.

The Political Problem

If the rural half are doing well, then the people in the cities can likewise do well and vice versa. The problems of the farmers and the manufacturers are very similar but the greatest mutual problem of all that we have is the political problem and that of government; the tendency is to make us the servants and government our master. Very clever methods of securing votes have been developed through subsidies of one kind or another — government jobs, government assistance in deciding industrial or labor difficulties. The government itself has no money that it does not first take away from the people, therefore, in distributing this money it has merely taken from the people what is their property, and then gives it back to them in some other form, after deducting a very substantial percentage to support the bureaucrats who take it. Many do not realize that any form of government assistance or government subsidies means government control and thus our servants become our masters by depriving us first of a portion of our earnings.

Forty years ago only 5% of our national income was required for the support of our Federal, state and local governments; at that time the governments were properly our servants, and we had a far beter government than we have today. Today the Federal Government alone is taking over 30% of our national income.

In addition to this it is printing bonds as money and spending twice as much as it collects in taxes. There appears to be no thought or no attempt to balance the budget. We not only spend the money with an extravagant hand in this country, far beyond the needs of the situation, but we hand it out by the thousands of millions to other countries where we have little or no obligation. All of this means bankruptcy or repudiation as has occurred in other countries. Inflation is right before us. Any undue increases in wages beyond the present high levels means a reduction in the value of our life insurance policies, savings deposits, government bonds, and any other accumulations of the past payable in dollars. This is a step toward inflation, toward the inflation toboggan from which there may be no turning back. There probably never has been an example of government being able to stop inflation once it is well started.

Sometimes we forget that the government is exactly the same as an individual and must live within its income; it must pay its debts if it borrows; the same ethics or principles should apply to a government as to an individual.

During the past decade all of these ideas seem to have been thrown over the fence, and government promises and obligations in international and domestic affairs seem to be more or less meaningless; whenever it becomes convenient, governments can forget them.

These facts represent the greatest of our mutual problems and the farmer and the manufacturer rise or fall together. We are in exactly the same boat.

Any business is a three-legged stool—

1—Consumer
2—Labor
3—Stockholder (Management)

It is rapidly becoming a four-legged stool; a new leg called the "government" is being added, with its regulations, restrictions, its policy and its attack upon industry. All of these four interests, management must try to satisfy and cannot consider one to the exclusion of others. Every farmer knows how much difficulty he would have trying to make a four-legged stool fit squarely on a round surface. We got along fairly well with only three legs—the employee, consumer and the stockholder, but since the government has begun to invade and control industry the difficulties have mutliplied and the problems are becoming insoluble except through bankruptcy, just as is true in the case of the railroads, unless we are willing to remove irresponsible government controls and return to the American system of natural economic law.

In conclusion, industry wants and needs a prosperous agriculture; the facts show that they rise and fall together, and obviously if industry had no other motive, selfishness alone would direct it to assist agriculture to a prosperous level. Industry should know the problems of agriculture and it also wants the farmer to know the problems of industry. If we are both well acquainted with each other's problems, there is no doubt that we will work together in the greatest harmony and with mutual trust and confidence.

New Daniel Rice Co. Branch in Florida

Daniel F. Rice and Company announce the opening of a Palm Beach office at 246 South County Road, under the management of Louis Woods, Jr. This is the fourth office the Rice firm has established in Florida in the last several years. Forrest A. Graves has been appointed as the representative of the partners to supervise the operation of all four offices.

Mr. Graves, until recently, was retired from active business but has been well-known in the brokerage and investment fields for more than 30 years. Until 1940 he was a member of the Cleveland Stock Exchange.

President Signs Tax Reduction Bill

The tax reduction bill, providing a cut of $5,920,000,000 in 1946 taxes, was signed by President Truman, according to White House announcement reported November 9 by the Associated Press from Washington. The bill, which it is hoped will stimulate business and create jobs, accomplishes the following:

1. Removes 12,000,000 low income persons from the tax rolls and assures reductions of 10% or more for individuals making up to $50,000 annually. Smaller cuts are provided for those with incomes over $50,000. Total reductions for individuals amount to $2,644,000,000.

2. Provides special tax treatment for veterans of world war II, forgiving all levies on the service pay of enlisted men in wartime and giving officers three years in which to settle with the Government.

3. Clips $3,136,000,000 off the burdens of business next year, principally through repeal of the war-imposed 85.5% excess profits tax on corporations.

4. Repeals the $5 use tax on automobiles and boats at a saving of $140,000,000.

5. Freezes the social security tax in 1946 at 1% on employees' pay and employers' pay roll. Without the "freeze" this tax would have jumped January 1 to 2.5% for each.

The bill makes no change in the excise levies on items such as liquor, luggage, furs, jewelry and cosmetics.

After the $5,920,000,000 cut is made, fiscal experts estimate, according to the Associated Press, the Treasury will collect next year approximately $26,500,000,000. They said the national debt will increase by about $12,000,000,000 in 1946. Revenues hit a peak of more than $45,000,000,000 in 1944. They were about $5,000,000,000 annually before the war.

Philip Eyrich Opens

Philip C. Eyrich will engage in a securities business from offices at 1800 East 24th Street, Brooklyn, N. Y.

SOUTHERN RAILWAY COMPANY

To the Holders of Southern Railway Company's

Development and General Mortgage Bonds,
6% Series, due April 1, 1956;
and
Development and General Mortgage Bonds,
6½% Series, due April 1, 1956.

In furtherance of its program of retiring debt, Southern Railway Company has, within the past thirty days, purchased substantial blocks of its Six Per Cent and Six and One-Half Per Cent Development and General Mortgage Bonds, aggregating $2,650,000 principal amount, at the respective prices of 118 for the Sixes, and of 122 for the Six and One-Halfs.

The Company desires to give the same opportunity (to the extent its resources available for such purposes permit) to the remaining holders of these Bonds, and at the same time thus to augment its debt retirements before the end of the year 1945.

Southern Railway Company therefore offers to purchase, for retirement, up to $5,000,000 principal amount in the aggregate of the above described issues, at the following prices:

Six Per Cent Series

For each $1,000 Development and General Mortgage Bond, 6% Series .... $1,180.00, together with accrued interest on the principal amount from October 1, 1945, to November 30, 1945, inclusive, (being $10.00 for each $1,000 Bond).

Six and One-Half Per Cent Series

For each $1,000 Development and General Mortgage Bond, 6½% Series .... $1,220.00, together with accrued interest on the principal amount from October 1, 1945, to November 30, 1945, inclusive, (being $10.83 for each $1,000 Bond).

This offer is open between Tuesday, November 13, 1945, and the close of business on Friday, November 30, 1945.

Bonds should be presented at the office of the Company's Agent, The First National Bank of the City of New York, #2 Wall Street, New York 15, New York. Coupon Bonds must be surrendered with April 1, 1946, and all subsequent coupons attached. Registered Bonds must be assigned in blank or be accompanied by appropriate detached assignments, with signatures guaranteed.

Bonds will be paid for in the order in which presented until the above mentioned $5,000,000 principal amount shall have been acquired, provided, however, that the Company reserves the right (a) to accept such additional principal amount of Bonds, if presented within said period, as it may desire, accepting such proportion of each lot (to the nearest $1,000) presented as the aggregate amount of Bonds in excess of said $5,000,000 determined by the Company to be accepted bears to the total additional principal amount presented, without preference between the two Series, or (b) to reject any amount offered in excess of the first $5,000,000 principal amount presented.

The Agent will pay, with reference to any Bonds presented for account of the owners thereof by any Bank, Trust Company, Member of a National Securities Exchange or Member of the National Association of Security Dealers, Inc. (such Bank, Trust Company or Member not being the owner), a commission of $2.50 per $1,000 Bond.

All Bonds purchased are to be cancelled, and United States Stamp Taxes are not payable on the sale.

SOUTHERN RAILWAY COMPANY
By Ernest E. Norris
President.

Washington, D. C.
November 13, 1945.

Security Dealers' Responsibilities

(Continued from page 2451)

whom history demonstrates needs protection in matters involving the purchase and sale of securities. Although in the final analysis you and your customers have a common interest in corporate securities and their issuers, that common interest is frequently obscured by the private interests of one person or another to the point that, of two persons to a contract, one must be protected against the other. I know of many cases in which public buyers and sellers of securities have needed protection against professionals engaged in the securities business. I know of only one fraud case in which the professional needed protection against the customer, and it is a matter of record that the SEC put that customer in jail.

Investment Banking and Capitalistic System

Much has been said and written concerning the contributions made by those in the securities business to our economic development. I do not underestimate them. The rise and expansion of our industries were in the past due in no small measure to the success of our investment banking system which gathered together the public's savings and directed their flow into the productive uses of business and commerce. The future health and growth of our system of free enterprise require that this process continue at a higher rate than ever before. Truly your business and our capitalistic system are inseparable. One could not exist without the other.

However, we cannot afford to ignore the fact that in a sense all our economic and political institutions are on trial today. As the world shrinks in size with the advance of communication facilities, and as the peoples of the world draw closer together because of our common necessity to find an international way of life which will preserve the peace of the world, it is inevitable that the contributions which our institutions are making toward our spiritual and material advancement will be compared and contrasted more than ever with the customs and institutions of other people. You and I are dedicated to the preservation and advancement of our democratic form of government and our capitalistic system. All of us, I am sure, are convinced that our political and economic system is the best which has yet been devised for the promotion of our public welfare and the preservation of our private liberties. Our convictions make it imperative that we do nothing to undermine those institutions.

What is the connection between your business and the preservation of those institutions? The most obvious connection is the one I have already suggested. To the extent that you help to raise capital for industry and to gear it to a high and increasing level of production, you are insuring economic and political stability. But you have another role in the preservation of our institutions, one which is at least as important as the job of raising capital. That is the task of instilling and maintaining public confidence in our securities markets and our securities issuers. In a real sense, you men who offer securities for sale to the public are tendering them a share in capitalism. You are asking the American people to invest their savings in American enterprise. You are urging them to place their confidence in our securities markets and in our corporate issuers. You are saing to them that our markets, our securities, and their issuers are all that they seem to be; that they are free of fraud and undisclosed special privilege.

There have been times in the past when the American people, after responding to the appeal of investment bankers and securities salesmen, have felt that they had been betrayed. Most of us still preserve a vivid recollection of the late 20s and early 30s when the practices of certain of our financial leaders created that sense of betrayal in the public mind. With that sense, public confidence in American business was shaken to its very roots. There have been few occasions in our history when the stability of our institutions was more seriously threatened. All of us are resolved that there will never be a repetition of the events of those days. We are proud that brokers and dealers, both individually and through their organizations, have joined forces with the State and Federal Governments in overhauling our investment banking machinery and purging our securities markets of the ills that almost brought about their destruction.

The Future of the Securities Business

But the crucial question today is: Have we done enough? Are we satisfied that we have taken every reasonable precaution to prevent a repetition of the 20s? Are we sure that it will never again be justly said that carelessness or ignorance or greed has so shattered the confidence in our financial institutions of the individuals who comprise our nation as to imperil our political and economic system?

We have made progress. We are reasonably sure that misleading prospectuses, concocted of half truths and baseless phophecies, will never play a prominent part in another boom and bust. We are fairly certain that the colorful pools and the melodramatic corners of another era are gone for good. We have confidence, too, that bucket shops and boiler shops have passed permanently from the American scene. Of course, there will always be customers who will lose money in securities. And there will always be firms which, after honestly appraising all the facts about the security and the market, will have guessed wrong. That is bound to happen.

I am not concerned with situations of that sort. What I am concerned with, and what I think all of us should be concerned with, is customers who suffer unnecessary losses because they have acted on recommendations which no person having any claim to be expert in the securities field ought to make. I am concerned with firms which adopt unsound business practices because they are unwilling to face the facts of life as they pertain to the securities business. I am concerned with the securities firm whose ignorance or cupidity blinds it to the fact that it must place the interest of its public customers before its own.

Before offering a security to his customer, it is enlightened self-interest for the professional to ask not "Can it be sold?" but rather "Should it be purchased?" Happily, there is abundant evidence that investment bankers and selling group members usually do exercise care and restraint in their offerings of new securities to their customers; and while it is disturbing to note that of late there is increasing criticism of some offerings of the securities of "war babies" it is worth recording that much of the criticism of such offerings has come from the ranks of the professional brokers and dealers themselves.

"Professionals" in the Securities Business

The reason why it is to the professional's interest to inquire whether a security should be purchased by his customer is obvious. It is not exaggeration to state that most securities firms which deal with public customers advise those customers on matters relating to the purchase and sale of securities. It is not doing violence to the truth to say that the reliance of public customers upon securities firms for investment advice is fostered and encouraged by those persons in the securities business with whom they deal. I think that it cannot be said too often that the professionals in the securities business are not in competition with their public customers. From the very nature of things such competition would be unfair, and for your spokesmen to proclaim publicly that such competition exists would be to announce the destruction of your business. This is bound to be true because there are few members of the public who would do business with you at an arm's length, and there are even fewer members of your profession who would be bold enough to invite business on such a basis. Your customers look to you for counsel and advice. They feel the need of the assistance of the professional in the complicated business of deciding what securities to buy and what to sell. When you offer them disinterested and impartial assistance in their investment problems, you find them eager and responsive. Were you to offer them less you would meet with suspicion and distrust. You cannot shut your eyes to the fact that, if the average individual investor became convinced that he could not look with confidence for impartial advice to those whose business it is to be expert in securities matters, then there would be no future to your business.

I emphasize these facts about your business because from them spring obligations which many firms chose to ignore. There exist today in some quarters practices which threaten to undermine the public's confidence in your business. All too often firms which solicit business as agents confirm trades as dealers because of their unwillingness to disclose the amount of compensation that they are obtaining from the trade. They justify their act by stating that they can make a greater profit by this method. Whether such reasoning is calculated to inspire public confidence in your business I leave to you. This practice is particularly vicious when followed by stock exchange firms which have for years held themselves out to the public as brokers and are generally regarded as such by the persons with whom they transact business. They do most of their business as brokers, yet not infrequently it happens that when unlisted securities are involved some member firms take off their broker's coat and put on a dealer's coat without informing their customer of the reason for the change or its significance. Such conduct is frequently inconsistent with the best interests of the customer, and in such cases is highly detrimental to the welfare of the exchange itself.

Moreover, it is not uncommon to meet professionals who will not recommend listed securities to their customers because their markets are publicly quoted. I do not mean to imply that listed securities are of necessity the best securities, but I do wish to say that a firm which in considering the investment needs of its clients rules out the securities of some of our most prosperous and best situated companies simply because these securities are listed and traded publicly does not render that kind of disinterested service which customers are usually led to expect.

Among other obnoxious practices which seem to exist, I should include that of churning accounts, by which I mean the practice of trading a customer out of one security and switching him into another for the sole reason that this activity is profitable to the firm handling the account. I have no idea whether this practice is widespread, but it is disturbing to talk with so many professionals who volunteer as a mark of distinction the fact that their firm does not churn accounts. One is led to wonder if failure to churn is a special virtue to be found only in a selected few.

Market Disclosure

If I were asked to mention the one fact about the conduct of your business which seems to me to threaten most your claim to public confidence, I would mention the attitude of your business toward the disclosure of the market values of over-the-counter securities. Happily, it can be said that at almost every point of contact with public customers your business has made steady and substantial progress in its efforts to win and preserve the unique position of trust and confidence which it now occupies. It is a matter of great regret that such little progress has been made in providing facilities whereby members of the public can obtain accurate quotations for over-the-counter securities. The desire of the securities business to withhold public knowledge of accurate quotations in this field has given rise to controversies which have wracked your business for years. It underlies your debates concerning how much of a markup is fair; it is at the bottom of your troubles involving the manner in which over-the-counter securities should be quoted in the daily papers.

I venture to say that most of you know that I believe there should be full and complete disclosure of the market value of all securities. I know of no better objective standard by which to judge the present value of a security. I know of no good reason either in business or in morals why this objective standard should be so jealously kept from the public. I daresay that there is not a single person in this room who would buy or sell any security for his own account without first ascertaining its market value. I am sure there is no banker in this city who would lend money secured solely by an over-the-counter security without first ascertaining its market value. Yet I venture to predict that there is nothing affecting the securities business in this city on which you find more agreement among those engaged in the business than on their opposition to market disclosure; and it requires no clairvoyance on my part to say that were the matter submitted to the public customers with whom you do business you would find them unanimously in favor of complete market disclosure. If this is true, do you not risk the public's confidence on which you so much depend by your insistence that the market value of an over-the-counter security is the trade secret of the professional? If the golden rule is a sound principle of business, is this not a perfect field for its application?

This problem of over-the-counter quotations will one day be solved. I have the greatest confidence that, when it is solved, it will be by making public the market value of these securities. It is the only solution which will create public confidence in the over-the-counter markets. I know that there are some bugs that will have to be corrected before a perfect system of disclosure can be devised. It is a matter of great regret that the securities business has not evidenced a desire to work out these bugs. I know that certain of your organizations have stated that they have made real efforts to devise a system of market disclosure and that it just can't be done. I say to you publicly what I said privately to a representative of one of these organizations not so long ago. This problem can easily be solved provided your business and its representatives accept the underlying principle. It can be solved if tnere is a will to do it. That will is lacking.

Praises Financial Press

I said at the outset that one of the jobs of the securities business is to help to preserve public confidence in the issuers of securities. Let me develop that theme a little bit. It is a matter of pride to all of us, and it is due in large part to the efforts of persons engaged in your business, that corporations whose securities are publicly owned are becoming increasingly conscious of the obligations which they have to their security holders. This is reflected in more adequate reports to stockholders, and in the restraints exercised by most managements in such matters as those relating to the voting of special emoluments to themselves. Yet we are all disturbed at times by the action of the managements of some of our publicly-owned corporations who seek unearned compensation by voting themselves special retirement benefits or stock purchase options, or by otherwise attempting to enrich themselves at the expense of the corporation and its security holders. In many of these cases the facts are fully disclosed publicly, thanks to the requirements of the statutes administered by the SEC. This is particularly true when a stockholders' vote is required and proxies must be solicited. The success of most efforts of this character is due in part to the lethargy that immobilizes security holders. Yet each of these gouges leaves its scars and each of them tends to undermine the confidence of all of our citizenry in our corporate system. A commission such as ours cannot prevent these acts. All we can do is require that they be fully disclosed in cases coming within our jurisdiction. The only public voice that is usually raised in opposition to such matters comes from the financial press, to whose great credit it is that it has often exposed these legal but reckless efforts at self-enrichment. Would that there were voices in your business that added their influence to that of the financial press in such cases.

Protecting Rights of Security Purchasers

Most security firms believe that their responsibility to their customers does not end with the sale of a security. In recognition of this belief they undertake to advise their customers whenever new or changed circumstances require the liquidation of a given security. In certain situations they have sought to do more. A ready example comes to mind in the steps often taken by a security firm which originated or was actively interested in an issue to protect its security-holding customers in any reorganization of the issuer. As in many other fields, the public interest has required the enactment of legislation governing the conduct of such representatives, but the basic soundness of the proposition that security holders need the protection of expert representation in such cases has remained unchallenged. I daresay that few will be found who will not concede that on other occasions a disinterested advocacy of the investors' interest is required. Who shall be that advocate? Experience has shown that the individual investor is not usually equal to the task. The easy alternative is to suggest that some Government agency do it.

Such an alternative should be the last resort and will never be needed if private groups will undertake to protect investors from unfair management. There is none better equipped than your own voluntary organizations, and there are no persons in the country having a greater natural interest in such a program than those whose business it is to act as the middle-man between the issuer and the investor. The goal sought by all of us here, the goal of a strong system of regional finance, will be brought many steps nearer of achievement by the creation of a strong voice in each region to bespeak the interests of investors, not in general terms but in specific cases and as applied to specific proposals or derelictions. The strength of our political institutions is due in no small measure to the informed criticism of those most dedicated to their preservation. Has not the time arrived when all friends of capitalism must strengthen it for the challenges that may come, by a vigorous but loyal opposition to the excesses of capitalism whenever such excesses are threatened? In the financial field are there any persons better equipped for that task than you who are both students and salesmen of our corporate economy?

Yet, although we know that unfair treatment of their security holders by issuers is not uncommon, rarely do we hear the voices of your chosen leaders publicly raised against them in specific cases. Although many in your ranks can be found who will take a public position against sin, there is none who undertakes to expose it when it appears. This is not surprising since there are few individuals with the facilities or the time to examine into instances of corporate abuses. Many of your voluntary organizations are so equipped, however, and if the will exists to turn these agencies toward a more vigorous defense of the rights of investors, there is little doubt that such action will be followed by an increase in public confidence in our financial and corporate institutions. I am not suggesting that you embark upon a witch hunt, but I am saying that you can serve your interests and our common interest by an impartial but critical examination of the treatment by some issuers of their security holders.

Let me be more specific. We have encountered a number of cases in which an issuer or members of the management of an issuer which has met with unexpected and unpublicized prosperity have sought quietly to buy up some of the outstanding shares of the enterprise. Almost invariably the assistance of some one in your business is sought to accomplish this buying. Here is a shameful betrayal of your security holders who have borne the risks and disappointments of many years of unrewarded participation in the enterprise. To trade them out of their investments just as they are on the verge of a return not only defrauds them of their just expectations, but also is bound to engender in them a cynical and distrustful attitude toward you and securities generally.

Other instances of abuses come quickly to mind—the solicitation of proxies by an unregistered company on the basis of inadequate disclosure; the failure of a company to employ independent accountants to audit its affairs at reasonable intervals; the failure of an issuer to furnish adequate financial information, even when readily available, to its security holders; or the postponement of a necessary reorganization by preserving the enterprise from technical financial default while those having voting control deplete its assets for their own benefit. These and other derelictions of management are often publicly known. The sense of futility which must come to the unfortunate security holders of such issues is not far removed from the sense of distrust in all securities. It is not far removed from a sense of distrust in the economic system that tolerates the callous disregard of obligations which, when created, were usually accompanied by pious protestations of good intentions. Should you not be on the watch for such situations, and should you not speak out against them publicly when they are found?

"A Better Business Bureau" of Corporate Practices

It would appear to be feasible for your business to select representatives to report publicly on the merits of some of these proposals to increase executive compensation, or on the derelictions of those corporations which do not deal fairly with their security holders. Such action would increase your stature and add to the public confidence not only in your business but also in our system of corporate enterprise. There exist many active organizations of persons engaged in the securities business—organizations like your own; the Chicago Stock Exchange, our host today; and the other exchanges in the country; as well as the over-the-counter organizations of which many of you are members. Cannot some of them undertake the responsibility of voicing the financial conscience of the regions which they serve? Can we not have a "better business bureau" of corporate financial practices—not alone in matters involving the sale of corporate securities to the public but also in matters pertaining to fair dealing with security holders?

It appears to me that this is a matter worthy of your earnest consideration. There is no more effective critic than a friendly one. There can be no greater service to the preservation of our corporate economy than the speedy exposure by its friends of those practices which threaten its claim to public support.

It is fitting to emphasize the significance of your work in relation to the individuals whom you serve. Remembering always the contribution which investment bankers make toward furnishing capital for our industrial machine, we must nevertheless not forget that the interests of the individuals whose savings are at stake cannot be subordinated to that machine. We have just fought two bloody wars to maintain the freedom of the individual from domination by the State. As we turn to the ways of peace we must ever be mindful that our industry, like our Government, is the servant of the individuals who form our nation. Business expediency cannot justify the marketing of unsound securities or unfair dealing with security holders, nor can the need for commissions or profits justify loose dealing by professionals with their public customers.

It is regarded as trite to dwell upon the fact that the individuals who own securities are frequently widows and orphans, or the aged, or persons under various disabilities. Although trite, it is worth remembering that the support of the helpless, the education of the young, and the care of the aged or the infirm frequently depend upon the probity and skill of a securities firm. It is this fact that gives your business a dignity which it could not possess were you to confine yourselves to dealing only with persons as versed as you are in the ways of finance. It is this fact which places upon you a unique responsibility toward the public.

You in the securities business have come a long way in the past ten years. For better or for worse, your business more and more is acquiring a professional status. This is so because investors generally are demanding professional guidance and because experience has taught them the value of your training and your skill. I believe that the future of your business demands that you accept this challenge of those whom you profess to serve. You may sell yourselves short by resisting this change in your business or by accepting it grudgingly and with reservations.

Wants Preferred Stocks to Broaden Life Insurance Investments

Life Insurance Investment Research Committee Recommends a Formula for Valuing Preferred Stocks and Points Out That if a Stable Method of Preferred Stock Valuation Be Adopted, Life Insurance Would Be in Position to Furnish More Capital Funds to Industry.

With a view to broadening the investment fields for life insurance funds and making a greater share of such funds available for the capital needs of industry, a new method of preferred stock valuation by life insurance companies has been proposed to the National Association of Insurance Commissioners by the Life Insurance Investment Research Committee, a joint undertaking of the American Life Convention and the Life Insurance Association of America.

The committee presentation cites the excellent record of high grade preferred stocks over the past 20 years, as to value and yields, and points out that they are suitable for life insurance investment except for the factor of wide fluctuations in market prices under abnormal conditions. It is proposed that, instead of being valued at market price as now required, they be valued by a new formula which would level off the effect of the fluctuations.

The formula provides that in the case of a preferred or guaranteed stock determined to be eligible and held during the entire year of the statement, the asset value at the end of the year shall be the asset value at the end of the previous year, increased or decreased as the case may be by one-fifth of the difference between such asset value at the end of the previous year and the market value as of December 1 of the year of the statement, except that in no event would such asset value at the end of the current year exceed the redemption value. The stocks acquired during the year of the statement would be carried at cost.

It is proposed that the rule for eligibility of preferred stocks be patterned after one of the rules in use for a number of years to determine the eligibility of bonds for amortization. In the case of stocks not on the eligible list, the same formula would apply when the Dec. 1 market value exceeds the previous asset value, with the market price being used otherwise.

In urging the adoption of the proposal, the committee points out that the investment of life insurance funds has become increasingly difficult in recent years and new outlets are being sought.

"Traditionally the life insurance business has made the bulk of its investments in private long-term debt," the committee said. "It will be observed that in 1930 the assets of life insurance companies, at almost $20 billion, amounted to only about a fifth of the volume of private long-term debt, while now, at about $40 billion, they amount to somewhat more than one-half of the private long-term debt. Investment grade preferred stocks offer one additional outlet. It seems quite likely that an increasing percentage of new capital will be raised through the issuance of preferred stocks. Should a more stable method of valuing preferred stocks be adopted, the life insurance business would be in a far better position to furnish a larger amount of capital funds to industry and thus contribute to the maintenance of a healthy national economy."

The report was prepared by the Committee on Preferred Stock Valuation, a sub-committee of the Life Insurance Investment Research Committee. The members of this sub-committee are: O. J. Arnold, President, Northwestern National Life Insurance Co.; Sherwin C. Badger, Financial Secretary, New England Mutual Life Insurance Co.; George N. Emory (Chairman), Financial Vice - President, Home Life Insurance Co.; Stephen M. Foster (Secretary), Economic Advisor, New York Life Insurance Co.; Harry C. Hagerty, Vice-President and Treasurer, Metropolitan Life Insurance Co.; Robert F. Maine, Associate Financial Secretary, Provident Mutual Life Insurance Co.; F. J. McDiarmid, Manage, Investment Research Department, The Lincoln National Life Insurance Co.; Louis R. Menagh, Jr., Comptroller, The Prudential Life Insurance Co. of America; Donald B. Woodward, Research Assistant to the President, The Mutual Life Insurance Co. of New York.

Capital Inv. Control Considered by British

The Socialist program of Britain's new Labor Government is said to be getting under way with plans for submitting to Parliament before Christmas a measure setting up controls for investment capital, Associated Press London advices stated on Nov. 8. Through the creation of a national investment board, the measure would be designed to give the Government the power to direct investment capital where it was considered needed, especially to export industries. London reports added that the board would be empowered to determine what types of new capital issues would be permitted.

The scheme as outlined, the Associated Press continued, would not require investors to lend money to the Government for investment and would permit them to buy directly shares offered on the market.

The Government's intention, the accounts added, is to avoid a situation which existed between the first and second World Wars when basic industries were unable to get needed capital while investors placed money in semi-luxury lines.

St. Louis Dailies Raise Price to 5 Cents

The two St. Louis afternoon newspapers, the "Star-Times" and the "Post-Dispatch," announced that their sale price would be increased from 3 to 5 cents per copy on Nov. 19.

The morning "Globe-Democrat" has also announced that the price for its daily issues would be 5 cents a copy beginning Nov. 19 in metropolitan St. Louis, including East St. Louis, Belleville, the tri-cities and the city zone area generally.

The "Globe-Democrat" in its announcement Nov. 17 also said in part:

This is the first change to St. Louisans in more than ten years, although the 5-cent daily price has been in effect outside metropolitan St. Louis for some time.

Never before in newspaper history has the task of providing worldwide news coverage been so costly. With the progress of world reconstruction and development of domestic economic problems, the cost of labor, newsprint and other materials has increased enormously.

Mounting costs of publication have been absorbed during recent years while newspapers in other comparable and many smaller cities have found it necessary to adjust prices before now in order to meet the additional heavy payroll expenses, increased costs of newsprint, ink, other materials and the much greater costs of reporting, news services, features, and recurring daily and Sunday delivery charges.

Notwithstanding the fact that comparable Sunday papers in Chicago, New York, Cleveland, Cincinnati, Detroit, Pittsburgh, San Francisco, Los Angeles and other metropolitan cities now sell for 12¢ and 15¢ per copy, the price of the Sunday "Glove-Democrat" will be maintained at 10 cents.

Herzfeld & Stern Admit

Kurt Berger will become a partner in Herzfeld & Stern, 30 Broad Street, New York City, on Jan. 1, 1946.

NOTICE OF REDEMPTION

to the holders of

NORTHERN PACIFIC RAILWAY COMPANY

REFUNDING AND IMPROVEMENT MORTGAGE 6% BONDS,

SERIES B, DUE JULY 1, 2047

NOTICE IS HEREBY GIVEN that Northern Pacific Railway Company has elected to redeem and pay off on January 1, 1946, all of the above-mentioned Refunding and Improvement Mortgage 6% Bonds, Series B, at 110% of their principal amount, together with accrued interest on such principal amount to said date, in accordance with the terms of said bonds and the provisions of Article Ten of the Refunding and Improvement Mortgage, dated July 1, 1914, from Northern Pacific Railway Company to Guaranty Trust Company of New York and William S. Tod, Trustees, and that on January 1, 1946, there will become and be due and payable upon each of said bonds at the office of J. P. Morgan & Co. Incorporated, in the Borough of Manhattan in The City of New York, N. Y., the principal thereof, together with a premium of 10% of such principal amount, and accrued interest on such principal amount to said date. From and after January 1, 1946, interest on said bonds will cease to accrue and any coupon for interest appertaining to any such bond and maturing after said date will become and be null and void.

Coupon bonds should be presented and surrendered for payment and redemption as aforesaid with all coupons payable July 1, 1946, and thereafter attached. Coupons due January 1, 1946, may be detached and presented for payment in the usual manner. Interest due January 1, 1946, on fully registered bonds will be payable only upon surrender of such bonds for redemption. Registered bonds, in cases where payment to anyone other than the registered owner is desired, must be accompanied by proper instruments of assignment and transfer.

NORTHERN PACIFIC RAILWAY COMPANY

By A. M. Gottschald,
Secretary

New York, N. Y., September 26, 1945

OFFER OF PREPAYMENT

Holders desiring to receive immediate payment of the full redemption price including interest to January 1, 1946, may do so upon presentation and surrender of said bonds at the office of J. P. Morgan & Co. Incorporated, in the Borough of Manhattan in The City of New York, with the January 1, 1946, and subsequent coupons attached.

The Over-the-Counter Market and the NASD

(Contiued from page 2450)

fresh thoughts on the Association and its activities.

The Over-the-Counter Market

First however, I'd like to discuss the over-the-counter market which is the field in which NASD operates.

When we think or talk about the over-the-counter market, it is important first to be sure that we are thinking and talking about precisely the same thing. The term over-the-counter to some means the business of trading in securities between dealers in all of its ramifications. To others it means the retailing of securities, listed and unlisted.

To still others it is the mechanism employed for the underwriting and orginal distribution of securities.

Each of these is a part, but only part, of the over-the-counter market. The term in its full meaning embraces all of these parts as one. Every activity involving securities and every transaction in securities that does not occur on a stock exchange takes place in the over-the-counter market. In other words, in the language of Section 5 of the 1934 Act, everything "otherwise than on a National Securities Exchange" is the over-the-counter market. It is a large market, with and in billions of Government securities—federal, state and municipal—and with the billions of corporate securities of all kinds annually distributed through it.

The trading activity in listed and in unlisted issues between dealers themselves, is, we know, large in volume, but as to the exact extent or volume of such trading, there can only be conjecture since no worthwhile statistics have ever been compiled in measurement of such trading. The same may be said of the retail sale to customers of listed and over-the-counter issues.

However, as to the volume of retail activity, we have some ideas. We made a study of our 1944 questionnaires of Association members, considering only retail sales of corporate securities to customers other than institutional, and eliminating new underwritings, secondary distributions, and sales of investment trusts. Our best estimates indicate that such sales to customers in the year 1944 exceeded $1 billion.

Since we eliminated banks and all types of institutional buyers from consideration as customers and many kinds of securities and offerings the figure of more than a billion dollars of securities retailed by salesmen is helpful in arriving at some idea of the magnitude of the over-the-counter market. That market is one which you cannot "see" in the same sense that you can "see" a stock exchange market. It is made up of many more thousands of individuals than are directly concerned with stock exchange activity.

In fact its distinguishing characteristic is its INDIVIDUALISM. Its great resource is the capacity of the individual engaged over-the-counter to fit his service to the needs of his clientele. Almost literally no two dealers do identically the same kind of business. They specialize, or they do not, they serve sophisticated buyers or the most unsophisticated, as well as every variation between those extremes; their customers are rural or urban or suburbanite, country club or town hall.

It is no reflection on any dealer to say that the one who confines himself to one type of clientele is just a little at sea about how the fellow next door makes his living.

The over-the-counter dealer places a high value upon his privacy and his right to carry on his business without too much interference and regulation—certainly he abhors regimentation. He does not, you can see, lend himself to ready definition—and is proud that he does not.

But as individual as the over-the-counter market may be—as hard as it may be to "see" it in the contrasting sense with a stock exchange—it is a vast, sensitive and alert market place.

The over-the-counter market makes a vital contribution to the raising of governmental and industrial capital; to the creation of jobs in industry; to the starting of private enterprise; to the orderly liquidation of private investments as well as corporate ownerships; to the spreading of investment risk and opportunities; yes, and to speculation—all to the end that the nation's economy shall progress, expand, modernize and profit.

What I have said is, I know, not new to you, but it is well sometimes to restate the obvious.

The NASD

In talking about the Association itself I want again to be specific. We, of the NASD, want our organization understood and you, as the representatives of your various states want, I am sure, to know us and to have a clear understanding of what we are and what we stand for.

What was NASD organized to do?

Its objectives and purposes are:

—to promote the investment banking and securities business, to standardize its principles and practices, to promote high standards of commercial honor and to encourage and promote among members observance of federal and state securities laws.

—to confer, consult and cooperate with governmental and other agencies in the solution of problems affecting investors, the public and its members.

—to have and enforce rules of fair practice, to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade.

—to promote self-discipline and to investigate and adjust grievances between the public and members.

You will note that one purpose is promoting observance of federal and state securities laws. The assignment is NOT to enforce those laws. The distinction between enforcing them and promoting their observance is a significant one. Enforcement of those laws is your job. Observance of them is a requirement of citizenship.

The Maloney Act

Congress was well aware that there was a vast field in the over-the-counter market for the control of ethical practices which was not a field which the Government could regulate by statutory law. The Government could not cope with those methods of doing business which were outside the area of definite illegality but yet constituted unfair business practices—unfair both to customer and to decent competitor.

That is why the business and the Federal Government itself joined in urging the adoption and why Congress passed the Maloney Act providing for cooperative self-regulation with standards above and beyond the law.

The concept was a form of regulation which would concern itself with that hard-to-define realm of ethics and fair practices. NASD, the product of that concept is an adventure in cooperation of business with Government. The impulse behind its creation was protection of the public interest. Its justification is in the record.

That record, I believe, proves that NASD has conscientiously pursued its objectives and purposes. It has promulgated and enforced rules of fair practice and just and equitable principles of trade. It has conferred, consulted and cooperated with all agencies, federal, state and private, concerned with the problems of the business. It will continue on this course, knowing that a great deal more can still be accomplished in this direction.

The "Registration" Amendment

Perhaps reference should be made at this time to a current and important phase of NASD's work. We are in the process of registering with the Association 25 to 30 thousand persons—principals, officers and employees of members under amendments to our by-laws recently adopted.

The registrant agrees to abide by the Rules of Fair Practice of the Association and further to become subject individually to appropriate disciplinary action in case of violation.

This registration is a forward step. It provides for the first time, among other things, a census-taking of those individuals engaged in the over-the-counter business and it provides a control over the individuals who actually transact that business.

In the final analysis, the individuals who actually transact or conduct a business or a profession determine the character of that business or profession. The individual's concept of fair treatment and fair practice is in the last analysis, the measure the client has of the business or profession.

That is why it is most important for every individual in our business to conduct himself in accordance with the highest standards of practice. Whenever there is failure, the business suffers.

This development is one example of the evolution of self-regulation as represented by NASD.

Registration of those engaged in the over-the-counter market will come to be recognized as a forward step toward preserving the integrity of that business in its internal relations as well as in its public relations. Sight should not be lost of the fact that opportunities in the securities business will, in fact are attracting already, a growing number to that business. Many of those who are entering this business now have little or no experience in it. They must be made aware of the high standards guiding the business today, so that the confidence the public now has in it, will not suffer.

Every one of us must be conscious of the fact the lowering of standards and of ethical practices on the part of a few can cause untold damage and all of us must be ever watchful and on guard against any indications of such tendencies.

The business, I assure you, does not intend again to be the object of public attack because of abuses by the few. The constructive efforts made by state and federal regulatory agencies disciplining those few is recognized and appreciated and our cooperation on that front you can rely upon.

When he addressed your 1942 convention, our then Chairman, Robert W. Baird of Milwaukee, told you that NASD had provided the securities business with a mirror in which to examine itself. He said that some of the things our business had seen in that mirror were not altogether satisfying. What it sees today, however, is, I think it fair to say, more pleasant to contemplate.

The Question of 'Mark-Ups'

In 1942, our District Committees and the Board of Governors were then studying most carefully the question of members' mark-ups in their transactions with customers.

Up to that time, we had arrived only at the point where we were willing to say what was UNfair We were hard-put when the question was presented: "What is a FAIR markup?"

Recognizing the individual character of the over-the-counter business, one appreciates the difficulty of determining arbitrarily a mark-up which is fair in one kind of transaction and in applying that determination as a measure of the fairness of other kinds of transactions.

Securities entering into one transaction might differ in character from those entering into the next transaction; their availability in the market might not be the same; the cost of obtaining one against the other might vary; the amount of original service and effort entering into the negotiations and the completion of one transaction against another might be entirely different. . . . The price of one security in contrast to another, the amount of money involved in the transaction, the relationships of the dealer and customer all vary with every dealer and with every customer and almost with every transaction.

However, it was recognized that the amount of mark-up was at least a starting point and that progress might be made if the general practice of the business on this score could be established.

To find that out, the Association in 1943 made a membership-wide questionnaire examination of mark-ups in customer transactions.

The resultant information, made known to members in October of that year, showed that 71% of the transactions computed were made at mark-ups of 5% or less.

These findings were reported by the Board of Governors for the "guidance of members."

The effectiveness of the release of those figures and the statement of policy as a guide for members was shown by our analysis of the questionnaires of the following year, 1944.

In that year, analyzed transactions at mark-ups of 5% or less accounted for 82% of transactions analyzed—82% in 1944 against 71% in 1943.

The official publication of your National Association, the "Blue Sky News," last June, had some observations to offer on what the NASD mark-up statistics established. I quote pertinent extracts from the article:

"The facts recited would seem to be conclusive:— . . . that established and reputable dealers in securities operate on an average at modest rather than exorbitant profit margins . . . it is grossly unfair to publicize surveys . . . about a certain class of dealers who may be evil-doers without giving due credit to the established firms of good repute who continue in business year after year with satisfied clients and an ever-expanding clientele. . . . In contrast to some sweeping allegations that very large profits are made by dealers in over-the-counter securities, the NASD studies showed that only about 2% of transactions analyzed in 1944 were at mark-ups of 10% and more."

The article went on to point out that those mark-ups involved securities in the lowest-priced brackets and individual transactions where the amount of money involved was equally low.

What about this year's statistics?

A sampling of mark-ups reflected by 1945 questionnaires shows that 90% of sample transactions were made at mark-ups of 5% or less.

Of course, we must recognize that the general upward trend in business volume and prices have also played a part in this trend toward more uniformity in mark-ups. We would be rash indeed to claim that the guide supplied members was the sole contributing factor.

NASD did not and does not seek to regulate, let alone curtail, profits of its members. It is devoted to the principle that its members are in business to make money.

Our interest in the individual transaction is only with the fairness of the mark-up or commission realized.

In retrospect, it is pertinent to recall that in October, 1943, Henry G. Riter, Chairman, speaking for the Board of Governors said: "The Board is convinced that if every member . . . is guided by the practices which are satisfactorily serving the best interests of a large majority of the membership and the business at large, the question of fair profit or spread will disappear as a problem."

He went on to say: "The immediate and long term effect will be beneficial both from the standpoint of our relations with the public and the character, volume and profits of the over-the-counter business."

His forecast was correct.

Research in the Securities Business

What we have learned in the past three years from our studies of members' reports has been of real value in expanding our knowledge of the over-the-counter market and in developing a greater appreciation of some of its problems. The studies have demonstrated the necessity of expanding and broadening research and analyses of the securities business.

Other businesses, professions, trades and industries, as a regular and essential part of their programs, take inventory of their operations, accomplishments, problems and future opportunities.

It is our hope that the securities business as a whole will, before long, sponsor an objective, impartial and scientific program of research. Our Association has signified its willingness to support such a program, financially.

One final thought.

Self-Regulation vs. Regimentation

The simplest and most accurate definition of self-regulation is that kind of regulation supplied by those who themselves are the regulated. Such as NASD. That kind of regulation is the antithesis of regimentation which I am sure you, we and the business do not ever intend to countenance.

Serving NASD at present in one capacity or another, are 400 men making their livelihood in the securities business. They serve in the purest volunteer sense. They not only are paid nothing—they give time away from their own businesses in the service of NASD. These men represent all types of over-the-counter activity. It is they who consider problems channeled to NASD and it is they who decide how these shall be attacked and solved.

They may err—they would not be human if they did not make mistakes. For that matter, some, understandably, may not even like their assignment and the responsibility that goes with it. But they meet its demands to the fullest extent of their capacity.

All of them are conscious that regulation, regardless of its source, must be administered so as to avoid oppression, because oppression soon leads to regimentation with all its consequences.

NASD, it must be remembered, is a businessman's organization and the businessmen who direct it are grateful for the opportunity given them to apply self-regulation. They believe that the task thus assumed can be successfully carried out only in a businessman's way. That way may not be the most spectacular way—in fact, it will not be spectacular at all, Neither will it be over-reaching nor technical in its practical operation.

On the other hand, it has proven its capacity for treating irregularities in business practice as well as in treating flagrant departures from the fair and ethical.

We cannot forget that the securities business in the past decade has been subjected to a considerable amount of legislation and regulation. Without NASD, however, I think it fair to say that there would be more not less regulation. Without questioning the necessity or wisdom of these measures, it is only fair to observe that probably no other American business has ever been surrounded with so many legal restrictions in time of peace.

But the securities business has carried this burden well and stands today with vigor unimpaired, ready to meet any responsibility it might be called upon to discharge. It faces the future with confidence in its strength prepared to meet whatever other responsibilities lie ahead.

This strength ought not be wasted upon unnecessary, time-consuming, costly diversions from the primary task of assisting in the reconversion of industry and the creation and restoration of jobs.

There is enough, if not too much, machinery existing for the regulation (and control) of the securities business. Any new problems which the immediate future might bring forth ought to be approached with the tools now available. There is opportunity even to anticipate new problems and to prepare for their solution by consultation among those concerned. We have had demonstrated to us the results that can be obtained in such an atmosphere.

As you will remember, the representatives of your Association, the SEC and the securities business, the stock exchanges, the IBA and the NASD, not long ago and after not too protracted an effort agreed upon a form of financial statement which with few variations could be used by those in the business to comply with appropriate state and federal laws. Such an example of the wholesome result that can be obtained from coordinated cooperated effort should encourage us to use the same method whenever opportunity presents itself.

In the final analysis, the laws and regulations administered by you and the ethical concepts advocated and enforced by us have the same objective—protection of the public interest. We can and must combine our efforts to that end.

With this objective ever in mind, those vested with the job of administering the securities laws, both State and Federal, ought now to work toward greater uniformity of those laws, ever strive for fair and enlightened administration, and foster closer cooperation between Government and the financial community so that we can meet foresquare the postwar challenge to our national economy.

You may be assured that to this three-fold endeavor the National Association of Securities Dealers will dedicate its wholehearted support.

Richard Redfield Is Forming Own Inv. Co.

PASADENA, CALIF. — Richard W. Redfield is forming Redfield & Co. with offices at 16 North Marengo Avenue to engage in the investment business. Mr. Redfield has recently been with the Citizens Commercial Trust & Savings Bank of Pasadena as investment officer. Prior thereto he was with Dean Witter & Co. and served in the armed forces. In the past he was president of Redfield & Co.

War Losses and Reparations

(Continued from page 2452)

(in many instances in complete accord with those made by the Federation of British Industries) met with little if any consideration by the Reparations Commission.

One cannot, of course, know at what period or at what conference the decisions regarding reparations were taken, but it does not take much imagination to conclude that the decisions were taken before the Potsdam Conference and before the Moscow Reparations Commission even met.

Further, one cannot help but feel that the decisions were taken without any adequate knowledge of the relative cost of the war to the individual nations or their citizens nor of the damage these latter may have sustained in their various properties at home and abroad.

One can say this with reasonable certainty, for so far as we know no attempt has yet been made to ascertain either total costs or total damage.

In fact, no opportunity has been given American owners of properties in Germany, with few, if any, exceptions, to determine what damage their properties have suffered.

We can go further and state that few have even been permitted to see their former properties.

Ambassador Pauley's press release of August 30th stated that one of the three basic policies agreed upon with the United Kingdom and the Soviet Union was, and I quote—"to agree first among the three great powers and then with their other Allies on a fair division of removable industrial equipment and other German assets so as to compensate as far as possible for the losses suffered by all nations on the basis of damage sustained and contribution to victory over the aggressor."

Apparently on this basic policy 50% of the removable industrial equipment was given to Russia and Poland while the other Allies. who as far as we know have never agreed concerning their share, were to be compensated out of the other 50% which they were to divide with the United Kingdom and ourselves on some basis to be determined in the future.

While it seems certain that the representatives of the three great powers had no information at their disposal which would have permitted them to arrive at even an approximate estimate of the damage sustained by the various Allies, one is even more impressed with their courage in so easily agreeing on the relative contribution of each to the victory over the aggressor.

The Russian Professor Varga estimated in October, 1943, that the total reparation claims of belligerent countries were between 400 and 500 billion dollars directly or indirectly against Germany.

I feel sure that the Professor failed to include the vast sum representing cost of the war which should be included along with all other claims so far as the reparation bill is concerned.

Cost of War to U. S.

In the case of the United States this cost exceeded 300 billion dollars alone, and we believe this cost should be weighed also in the scales of "contribution to final victory."

May I remind you that Mr. Ickes is authority for the statement that this country has already been so prodigal of its resources in the common interest that we are no longer a "have nation" but are now a "have not nation."

The National Industrial Conference Board in 1938 estimated the national wealth of the United States to be 309 billions of dollars, broken down into real property and improvements, 166 billion; all utilities, 47 billion; other productive assets, 23 billion; stocks of goods, 73 billion.

The Bureau of Census reports that in 1940 total assessed valuation of property subject to State or local property taxes was 144 billion.

The Treasury Deparment in 1940 gave the net capital assets of all active corporations in the United States as 100 billion, while a third pertinent figure taken from the Statistical Abstract of the United States gives the value of farm land and buildings in 1940 as 34 billion, and the value of live stock and machinery on farms an additional 7 or 8 billion.

With all due respect to the national wealth of other nations, I cannot conceive that they contain more than this country, nor can I admit that they have been totally destroyed.

Against this background of our own national wealth the colossal cost of the war to this country in the common cause stands out as an appalling figure and worthy of inclusion in any basis of reparations assessment.

What I have been saying is intended as no reflection on the magnificent effort the Russians made in the Allied victory, nor in any way to belittle her losses in men and material.

For one, I can put no monetary value on any man lost in the war regardless of his nationality or on the suffering of the blind and the maimed; but given time and opportunity a real appraisal of the cost of the war and the material damage sustained by each United National should be possible.

A Uniform Yardstick Called For

This Committee felt, and still feels, that the only equitable basis of arriving at each claimant-nation's share of available German reparations was the adoption of a uniform yardstick to be used by each and every country.

As it is, one cannot help but feel that some other consideration than an equitable division caused the great powers to arrive at the fifty-fifty division between Russia and the other Allies.

Aside from the question of equitable division of available means of providing reparations, one cannot help but wonder if sufficient consideration was given to the end result of the policy adopted for obtaining reparations.

I am not, of course, inclined to waste any sympathy on the German people or their satellites, but is not the policy of despoiling German factories of their productive equipment and the attempted reduction of Germany to an agricultural nation the product of a brain bent on revenge and lacking in consideration of what such a policy might mean to certain of our Allies?

The census taken in the United States in 1940 showed some 21 million persons engaged in production, of which a little over 10 million were engaged in agriculture and 11 million in manufacturing.

I have no similar figures for pre-war Germany as to the percentage of her population engaged in these two broad classifications of production, but whatever these may be, with no more than one out of 13 persons in this country able to earn his living from agriculture we may presume that it would be impossible for the German population as a whole to do so.

If this assumption is correct, how then is it proposed that the remaining population of Germany is to exist?

So far as I am concerned, I am fearful that the result of such a policy will be that our people will be called upon to feed her, and this not in exchange for goods and services we desire but because her people will be starving and we will not permit them to starve.

I call your attention to the fact that we are already being told that Germany must be fed, and you may rest assured that we in the United States will be told that we are the only nation which can afford to do this, or at least that we must make by far the greater contribution in that direction.

Should We Pay Also for World War II

Is it fair to ask if history is to repeat itself?

Much of the reparations Germany paid after World War I was out of loans she contracted in this country and never repaid.

Are we again in effect to provide German reparations this time through food and other items of relief furnished at our expense because Germany has been so reduced economically by the removal of her productive assets as to make such assistance necessary?

Great perseverance and strength of character will be required to overcome the natural inclination to abandon controls as the memory of war and its sufferings fade with time.

Add to this natural inclination the urge induced by the sacrifices we will be called upon to make to feed and clothe a Germany reduced not only by war but by a reparations policy to an economic existence which would require us to do so, and I ask you whether we would have the necessary strength of character to persevere in our control.

Regardless of the position in which such despoiling of German productive assets will place Germany, what will be its effect on Germany's neighbors who found in pre-World War II Germany either their best customer or a customer high up in their trade figures?

What will be the effect of this policy on Holland, on Denmark, on England and many others?

We and England may feel that we will be compensated by adding to our exports Germany's former exports to the remainder of the world, but I wonder if we are correct in our assumption that this will make up for what we formerly exported to Germany.

Has it not been pretty clearly established that the world's best customers in international trade are countries which themselves enjoy a high productive capacity?

Prewar Germany was such a country.

Are any of her customers outside those of us who numbered her among our best customers able to take her place as a consumer of the world's production?

Was it not just this lack of German purchasing power in the world market brought about by excessive reparations after World War I which broke down our willingness to control Germany, permitting her to play on our selfish interests and allowing her to prepare for World War II.

A Suggested Plan

May I again suggest, as I did here once before, that a more realistic and sensible approach would be to set up a United Nations control of German exports and imports through an exchange control. This would prevent to a large extent the importation and stock piling of essential war materials.

At the same time some percentage of the valuta arising out of her exports could be set aside for reparations.

One might say that this method failed after World War I to provide much in the way of reparations.

My answer would be that we attempted to collect reparations too rapidly without consideration of the amount of Germany's exports and we established no adequate control over her imports by license and exchange allocation.

Can we not assume that through such a control we could at least collect a sum equal to that formerly set aside for her preparation for war?

American Foreign Assets

In all this where today do we find American foreign properties? We find them in a variety of situations:

1. Damaged or destroyed during the war.
2. Confiscated by the enemy.
3. "Purchased" or liquidated by the enemy under a depreciated currency.
4. Inaccessible to their owners.
5. Used to pay current reparations.
6. Removed by friendly governments.
7. Subject to deindustrialization processes in enemy countries.
8. Subject to nationalization processes in friendly countries.
9. Producing an entirely different product.

As a result, the Foreign Property Holders Protective Committee now finds itself seeking a solution for unforeseen problems brought on not by our enemies but by our own government and by our friends.

American owners gladly furnished information to our Armed Forces that their foreign properties might be destroyed in the interest of our own Army and the Armies of our Allies, but their willing sacrifice seems ill-requited both by their own government and other friendly governments when they are robbed of their properties after the shooting is over.

We cannot accept the theory that our properties lose their nationality because they happen to be located in a foreign country even when incorporated under local incorporation laws any more than a citizen loses his nationality because he happens to reside abroad.

I for one should think Congress would be reluctant to extend credit to those nations who feel themselves justified in nationalizing or appropriating the property of American corporations and American citizens without prompt and adequate dollar compensation.

Certainly payments in German marks or other foreign currencies to be converted into dollars at some unknown future date is not adequate or satisfactory compensation.

Such treatment seems inconsistent with the idealism of the United Nations Organization or even a proper appreciation of the effort of this or any other similarly situated country which has contributed to the liberation of the nationalizing country or to the common victory against the aggressor.

When I contemplate the difficulty faced by American foreign property owners, I am reminded of an old Negro slave who, when called upon to pray during Grant's seige of the City of Richmond, began by calling upon the Lord to look down upon His children and lend His aid and protection—and as the shells fell closer and came in greater numbers he exhorted the Lord to come on down from heaven, and finally as one particular shell fell very close he waxed really eloquent and cried out to the Lord: "O Lord, come on down, come yourself, don't send your son, this is no job for a boy."

Wm. Walters Securities Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—William A. Walters has formed the William Walters Securities Company with offices at 3923 West Sixth Street. Earl H. Marsh will be connected with the firm.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The Government bond market continues to hold at its alltime highs despite some evidence of profit-taking which appeared the latter part of last week. . . . Demand for the bank eligible 2s is still substantial although there are indications that non-banking institutions are likely to let out some of these bonds, near the end of the drive. . . . It maybe that this selling will not take place until the loan is over. . . . The 2½s due 9/15/67/72 have reached the 107 level, which means that the longest bank eligible issue is on a 2.10% basis. . . . Nevertheless, this is still the highest yield that can be obtained by the deposit institutions among the taxable bonds. . . .

Although this security has advanced sharply, it is the opinion of many students of the money market that this obligation will eventually seek higher levels with a price of 108, being talked of quite freely among some of the trading fraternity. . . .

PARTIAL EXEMPTS STRONG

The partially exempt issues particularly the longer maturities came in for good buying and again moved ahead to new all-time highs. . . . These bonds are still considered attractive at present prices. . . . The ineligible bonds were steady to better, with the prevailing opinion that these obligations will do better after the Victory Loan is over. . . . A good tone was in evidence in the notes, with offerings of certificates that came in last week from industrial concerns well taken. . . .

TRADERS CAUTIOUS

The substantial and fast rise that has taken place recently in the bank eligible taxable bonds, particularly the 2s, seems to have created a cautious attitude among some of the shrewd traders. . . . There is no feeling that these securities will have a sharp set back, but there is the opinion that with "normal portfolio adjustments" that will probably be made near the latter part of the drive, these bonds may move down from their alltime highs. . . . In other words, some investors are waiting for what they believe may be a better buying opportunity, at prices somewhat under those presently prevailing. . . .

Nevertheless if there should be profit-taking in the general list, it will be an excellent time to pick-up the issues that one needs, since the postwar financing policy of the Treasury indicates higher prices for the longer term obligations. . . .

LOOKING ELSEWHERE

Since the longest bank eligible bonds have gone to levels where some of these institutions cannot obtain the return they need, there is appearing a good demand for the highest grade corporate bonds particularly, the public utiltiy obligations. . . . With the Government evidently committed to a program of forcing the long-term bank eligibles to higher prices, which will have to be maintained in the future, there seems to be less fear of the long-term high grade corporate bond market. . . . Accordingly, some of the deposit institutions are finding it profitable to take on certain of the AAA and AA bonds that yield from 2.60% to 2.70%. . . . This gives these banks about ½% more return than they are able to get in the highest yielding eligible taxable issue. . . .

Also it is indicated that aside from a few refundings of high grade corporates that will take place after the drive, in order to take advantage of the present tax law, the bulk of the bank quality corporate bond financing is about completed for the time being. . . .

There will not be the same incentive to refund outstanding issues in 1946, particularly those obligations with high call prices, because of the change in the tax law. . . . Accordingly, the more desirable of the high grade corporate bonds that have been available in the market are now being taken on in sizeable blocks by some of the commercial banks and trust companies. . . .

DEBT MANAGEMENT

Management of the Federal debt, and its effect on our economic system, undoubtedly will be among the important subjects to be brought out in the open soon by the monetary authorities. . . . Our Government is committed to a policy of full employment just as surely as it is to a policy of low interest rates. . . . These two go together in the opinion of the money managers, and it is indicated that management of the Federal debt will be one of the avenues through which they hope it will be accomplished. . . .

This means that the Federal authorities will make greater use of the qualitative method of credit control, or direct action, in the future and much less use of the quantitive method, to control credit. . . .

The recently published study entitled Jobs, Production, and Living Standards, by E. A. Goldenweiser, of the Federal Reserve Board's staff of economic advisors, seem to be the opening of a campaign for greater control over the money markets. . . . He points out that the Federal Reserve authorities will need in the postwar period all the powers over the general volume and cost of money that they had in the past, and they should have additional authority over member banks reserves. . . . Also, the study continues, that the authorities should perfect and expand the instruments of selective credit regulations acquired in recent years and develop an effective technique for using them in conjunction with the broader powers that influence general credit conditions. . . .

This probably means that the monetary authorities want to maintain their control over installment loans as during the war, and they are undoubtedly exploring the possibility of imposing new credit controls, particularly over real estate loans. . . . Public Federal debt, he indicates, should be managed so that it is increased during a period of depression to provide employment, and a balanced budget with debt retirement is advocated during periods of prosperity. . . .

On interest rates the study points out that because of the need for avoiding wide fluctuations in the value of Government securities, long-term interest rates should not be permitted to rise. . . . More control over the money markets would seem to be in the making if the ideas put forward in this report are adopted. . . . Greater power by the Federal authorities over the money markets certainly means that the debt burden will not be increased through higher interest rates. . . .

Psychological Pitfalls in Appraising Stock Market Values

(Continued from page 2451)

ject to these psychological extremes. It goes down and discounts the worst; then, it swings back and everything is seen in the rosiest light.

To a considerable degree the statisticians are responsible for the development of these movements. Being the idea men and the brains of the Street, their reports and analyses eat persistently into the minds of the investors and business men in general. Review of the market movements of individual securities or industrial groups shows this influence clearly. In recent years the behavior of railroad securities is a case in point. Some years back they were appraised from the gloomiest angle and every analyst was trying to get the investors out of them. Then the tide reversed itself and today the opposite is true. This change occurred largely because a great many analysts have convinced themselves and others by a sort of self-intoxication process that the railroad future is bright; facts to the contrary. This wide swing in appraisals of the future is evident in a great many groups, sometimes on a rather inconsistent basis. Such is the case in airlines, distilling and copper stocks at present quotations. All of these groups changed from one extreme to the other in recent years without material changes in their indicated prospects.

Present Market Appraisals

I am beginning to believe that the market and general business are reaching a point where reasoning is again on rather dubious ground. The thought process leading to optimism is sometimes rather peculiar and I think that statisticians now have to be extremely careful in their appraisals. Of course, it is very difficult to be the iconoclast and point to the black when everybody sees white, particularly when it is almost impossible to gauge the extent and the length of this upward movement. The awakening may happen next month and then again it may be two years off. It is not easy to be sober when the calmest and most thorough appraisal of a stock may be proven to be wrong by the irrational rise in the market that just "happens". The negative facts may be pointed out clearly but quotations prove them wrong. At this stage of the market there is no doubt that more money is made by ignoring facts than by most careful studies.

I believe therefore that self-criticism at this time is particularly in order because after all statisticians have a public duty to perform. I shall devote the rest of this review to pointing out some typical errors in our current reports and thinking.

The reports generally can be classified as:

1. The releases of public relations men who tell you with beautiful pictures and charts a lot of interesting but not pertinent detail. They contain such valuable statistics as that General MacArthur bought the product, or that volume laid end to end reaches two miles beyond Chicago.

2. Statistical summaries which are nothing but a partial replica of the manuals.

3. Lastly, there are the bona fide statistical and economic studies which give pertinent facts with expert interpretation of them and an opinion on their practical meaning.

Insofar as this review is concerned, the first two should not be dignified by the name of analytical reports, even though they do serve a legitimate purpose.

Analytical Mistakes

The analytical reports themselves may have various types of mistakes in them.

1. The garden variety of typographical and mathematical error that is inexcusable, but we all make them, particularly now when junior help is so scarce.

2. The errors of judgment in interpreting. This is also unavoidable and is excusable if the originator is right more often than wrong.

3. The worst errors are those made by anylysts who are so concerned to sell and promote an idea that they deliberately omit facts or distort them to make their story better.

This last of the errors is the most vicious. Sometimes it is made because the so called analyst who writes the report in question is constituted that way or is just ignorant. At other times he knows better, but does not care.

As an excuse for this, one can say that after all these reports are written to get business and one can not sell unless one exaggerates and colors the story a bit. That explains the fact that probably not more than 1 out of 50 reports that are circulated are bearish. The bullish side wins because more commissions and appreciation will develop on the "constructive" side. The dangers of this one-sidedness are obvious. The public is entitled to a fair and thorough presentation of facts even though the emphasis may be on the favorable side. That is the reason why we should be more realistic than we generally are.

I shall review a few actual examples of this one-sidedness and incompleteness.

A recent study of the railroad industry said in part: ". . . and missing what may prove to be a very long cyclical upswing in railroad activity and prosperity."

It takes considerable daring to make a statement like that, a typical example of starry-eyed bullishness. The economist or business man, even without examination of statistics, knows that railroads have been gradually falling behind in our industrial development, simply because more efficient means of transportation were developed. It is not necessary to prove the retrogression. It is evident that with the coming improvement in roads and motor transportation, airlines, subsidized waterways and coastal marine there will be even acceleration of downtrend.

Faulty Railroad Analysis

Apparently the fact that the railroads had a great temporary increase in volume due to the war was accepted by this writer as something permanent. How flimsy this recent prosperity is, is indicated in the following simple table showing an excerpt from the published income account of Eastern District Class I railroads:

Eastern District Class I Railroads
(Millions of Dollars)

	1944	1939	Incr.
Gross pass'gr' rev.	$723.8	$232.4	$491.4
Income tax (Fed.)	297.7	10.0	287.7
Net after charges	214.9	44.6	170.3
Net before tax___	512.6	54.6	458.0
Fixed charges ___	248.6	277.7	*29.1

*Decrease.

The significant thing is that increase in income before taxes was smaller than the increase in gross passenger revenue. Since passenger service costs are relatively fixed it is evident that, if not all, most of the rise in profits of railroads since 1940 was due to passenger traffic. Not even the greatest bull on the railroad future can hope to retain this increase in passenger revenue on a return to full peace. So apart from other adverse factors, particularly rising wages and costs and inevitable loss of war freight, it is clear that current railroad prosperity is on an extremely weak ground. It must also be noted that the much advertised reduction in fixed charges was relatively small in this period, only a little over 10%.

In that light, the recent estimate that Baltimore and Ohio will earn $6-7 per share seems very high. Making a comparable statistical analysis for that road, it would appear that its position is just about the same as that for Class I railroads in the aggregate.

A study of a locomotive company says in part: ". . . peak efficiency for steam engines is arrived at during the first year only. In three years, maintenance costs double. In twenty-seven years such expense is actually quadruple that of the third year . . . Summed up, the present total inventory is 45,180 (locomotives). The new inventory is expected to be about 37,000 efficient units. About 26,000 will have to be new. Figuring the locomotive building industry's total capacity at about 4,500 units per year, this pent-up demand is expected to invite peak production for at least five years to meet domestic requirements alone."

The statement on the efficiency of engines is curious to say the least. Our locomotive builders ought to be very much ashamed of themselves if their product is at "peak efficiency" for only one year. The maintenance here is confused with operating costs. The cost of maintaining an engine even at eight times that of the first year, when it should have been very small, may still be low enough to provide economical transportation.

The writer goes on and practically discards our entire inventory of engines in forecasting their replacement. Before the war we had a surplus of engines, and during the war more was spent on maintenance and replacement of equipment (excepting passenger cars) than in any comparable period of railroad history. Our rolling stock therefore may be ample for reduced postwar traffic. Actually the locomotive builders may be lucky to average 1,000 new units in the next five years.

The Copper Situation

In recent months there was a drive to push the copper stocks up and 14 cent copper was promised before long. These optimistic thoughts ignore basic economic factors that copper is not consumed; that we have imported three years' supply and produced at top rate in the last four years; that foreign production is cheaper and much larger than their own demand; that there is long-term downtrend in costs and price with increasing substitution; that the future of the industry is entirely dependent on the unpredictable factors of tariff and stock-piling policy of the Government. If copper goes to 14 cents it could be based only on a tremendous boom or on a subsidy from the Government, neither of which can be accepted as fact. More specifically this country is in the position where it has to choose between using its limited supplies of the metal or reducing the tax to permit the entry of cheap foreign ingots. We have nearly a year's supply in the stock piles now. That is enough for immediate emergency. The remainder of the stock pile can be kept in the ground at home. It is also better to import raw materials and so help the export of finished goods. In any event it would seem that all reason is on the side of reduction of the tax and a lower copper price, but copper bulls, led by aggressive industry spokesmen, ignore all that.

Similarly the representatives of the distilling industry have talked of scarcity of liquor so much that there is a tendency to visualize shortages for years to come. The stocks have gone up by capitalizing the present high earning power as permanent. The facts are that now we have on hand enough aging liquor to cover at least four years of withdrawals. In this year we shall have produced over twice the amount consumed and the capacity of the industry is far in excess even of the current rate of production. It is evident that while there may be shortages of certain types of whiskey there is no doubt that actually we will have all we need and more. It is sufficient to remember that in 1934 we had no stocks at all and by 1937 there was too much liquor for sale with intense competition and lower profit margins. Therefore the present non-competitive status with large profits cannot last long.

These examples are sufficient to indicate the state of mind of some analysts and the current stock market. In view of the dangers involved it would seem that this would be an excellent time to emphasize the adverse side rather than the optimistic in our market comments and analyses. In that way we may succeed in neutralizing at least part of the excessive bullishness that is being generated.

Business Man's Bookshelf

Bank Credit for Soil Conservation—Darryl R. Francis—Federal Reserve Bank of St. Louis, Mo.—paper.

Construction Revival — Guidesigns to peacetime expansion and prosperity—a market study—F. W. Dodge Corp., 119 W. 40th St., New York 18, N. Y.—paper.

Full Employment Bill, The—An analysis — Henry Hazlitt — American Enterprise Association, Inc., 4 East 41st St., New York 17, New York 18, N. Y. paper.

Government Mediation and Arbitration of Labor Disputes—Selected references—Industrial Relations Section, Princeton University, Princeton, N. J.—paper—10¢.

Problem of Reconversion Is the Recovery of Freedom — Recommendations of The Reconversion Council, National Association of Manufacturers, 14 West 49th St., New York 20, N. Y.—paper.

Regulation of Prices in the Reconversion Period—Jules Backman—American Enterprise Association, 4 East 41st St., New York 17, N. Y.—paper—50¢.

Manual of Stock Transfer Requirements—Raymond J. Berlin and Raymond C. White—Fairchild Publishing Co., 8 East 13th Street, New York 3, N. Y.—cloth —$2.50.

Banker's Job, The (Assist the Returning War Veteran) — Reprinted from the "Association News Bulletin" of the Savings Banks Association of the State of New York, 60 East 42nd Street, New York 17, N. Y.—paper.

British Balance of Payments Problem, The—Arthur I. Bloomfield—Internation Finance Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J.—paper.

France Before the Economic Reconstruction—Robert Mosse — Brentano's, 586 Fifth Avenue, New York 19, N. Y.—paper—$1.00 (printed in French).

FHA in the Post-War Era

(Continued from page 2457)

tance. It is a thoughtless path. The lender who takes it will be he who encourages private enterprise still to avoid, evade or dodge the problem areas and stick to the top of the market, and will himself yield to the pressure of idle loanable funds by recognizing inflated sales prices as real values. That path will lead the nation up the hill to the disastrous peak of inflation. In the end it will kill production of new housing, which is the only final solution of our problem.

Another path is that of undue conservatism—a defeatist pessimism that will prevent production by an unwillingness to believe that America can produce what Americans need in housing at a price the mass of Americans can pay. That way lies frustration and further and further accumulation of desperate need. Along the path of that type of lending, too, are ranged all the oversights and indifferences that in the past have helped to prevent the ingenuity of private enterprise from applying itself to the several problem fields of housing need I have mentioned.

The other is the third road of mortgage lending, the middle road that steers between the errors of the other two and contains promise of a successful course for private enterprise in shelter production during the coming critical years. Those who follow it will refuse to encourage inflation by lending on the basis of sales prices temporarily sent absurdly high by shortage in the face of overwhelming demand. All over the country evidence is presented of older houses selling for much more than even their replacement value at present building costs. There is some evidence of lending practice influenced dangerously upward by such conditions. Not all of the increased sale price of old houses is inflationary. Sometimes it is in part only a recognition of true, sound value previously marked too low. But a great deal of it is premium price due to scarcity.

And in newly built housing there is some evidence of the same sort, wartime houses selling well above the original ceiling prices which recognized current costs and fair profits in most cases.

Mortgage lenders can't fully prevent such inflation. The presence of much buying power and much need precludes that. But mortgage lenders can do a great deal to prevent the most disastrous housing inflation of all, an inflation financed by borrowing against the excess of price that is not an increase of real value.

There is only one final answer to inflation and that is production. The estimates of need are immense, ten million family units in ten years is a common one. How rapidly the need may express itself in active demand upon the market is a question. But there can be no doubt the utmost capacity of the industry is needed to produce an early *rate* of production that will restore the psychological balance that deters inflation by curbing impatience.

An easy and a perilous mistake would be to measure the adequacy of housing production in the next few years by numbers of units alone. The measurement must be in numbers and in purposes served, in rental and in sale brackets, in special pressures lessened. We cannot concentrate upon the quick higher-priced market of sale and rental and accomplish our purpose, for the bulk of pressing need is not there. It is in the ranks of the average citizens, the legion of families whose annual income is from $1,200 to $2,500 a year.

Private enterprise has claimed all of the housing market as its own. It must therefore seek to supply it all, with decent quarters. It must seek to make home ownership available for all who seek it, and on a secure basis. That is why I have been urging upon all of private enterprise that it broaden the base of its housing operations, all of those engaged in it, starting at the woods, the mines, the quarry and clay pit, including fabricators, suppliers, land developers, salesmen, builders, lenders and labor.

The challenge is to all, the opportunity for all.

There are many difficulties and not the least just now is materials. That will pass. We will in the coming months have ample materials, if the efforts of industry and Government are continued.

But there is also the problem of costs. Today they are high and rising in some places. They contain many factors resulting from war and some obviously temporary items. Lenders and builders everywhere ask what the attitude of FHA is going to be as to these costs. Many refer to our present attitude as unrealistic.

True, we do not recognize all of the current costs of today in our commitments in most areas. We are still bound by the requirement of economic soundness in insurance of lending, bound both by law and by regard for the public good. But we will recognize the increase of costs as and if it stabilizes.

But if you think that will be an adequate answer to the question of building costs in housing you are seriously mistaken. We won't give the final answer. You won't give it. It will be given by Joe Doakes, the average man from whose income the price of housing must be paid. When the costs rise beyond his reach, he can't buy and the great mass of the market for private enterprise will disappear.

In many respects private enterprise has done an excellent job in recent years, both war and prewar. We have reached down into moderate priced housing farther than is generally agreed. But it has only been a good start. We have no right to be complacent about it.

It is in the handling of this matter of building costs that solutions are to be found for both housing shortage and inflationary dangers. It is not just a matter of hourly wage rates. It is not just one of lengthening the term of lending so the higher price can be met by a lifetime of payments.

If that is our best and only answer we are barren of ingenuity indeed.

Rather, the answer is to be found in greater efficiency in production, the application of new techniques, new methods, new productiveness. It lies, too, in the elimination of every unnecessary cost, every payment of too much for too little, no matter to whom it goes.

In this you lenders have more than a passive part to play. An easy, over-liberal lending policy encourages unnecessary costs. They will persist if you as lenders or we as insurers will support them.

You have an active part to play in your own and the public interest. With your builder clients you can do a great deal toward development of greater efficiency, toward arousing interest in the middle-market in both sale and rental properties. You can profitably turn your own and your builder clients' attention toward the minority group field. Those who have done so are too few, but they have found it sound and profitable, and they have done an immense good in their communities besides.

You can and should remember that our existing housing inventory is vastly greater than the total of new additions we can make to it in many years. It must be conserved and improved. That ought not be the haphazard business it has been in the past. It deserves the organized attention of the industry. We can check the spread of blight. We can hold back depreciation. We can convert much of the sub-standard, old structures into sound and decent homes, often making two or three of one.

Your attention as lenders ought to be upon this necessity. We of FHA can help, both through insured mortgages and Title I.

Throughout all of this urging of a sound middle course for lenders and a broadening of the base for the industry which we are also urging, very properly the industry may ask, "What is Government going to to about all of this"?

I can answer only for the Federal Housing Administration, but for the Federal Housing Administration I *do* answer. Within the limitations of the law, the agency's policy becomes my responsibility. Our policy already is actively one of broadening our base with you. We have completed the first phases of our studies on how it may be done. Already you have had the announcement of several steps.

We have first made improvement of our service by shortening our processing time a No. 1 must. It has been over-long. It rapidly grows shorter in most offices.

We have next undertaken to simplify our procedures so far as is consistent with sound results. Many of the smaller steps have been taken. The bigger ones are now under study.

We have moved into a field of housing largely new to insured lending in the country home activity recently announced. We believe it to be a most important one for the American people, a most constructive one for our suburban areas, a most practicable and sound one for you lenders. We earnestly suggest that you and your builder clients explore its possibilities and consult with our field offices on it.

We have advised you of our new firm commitment policy for builder mortgagors. That, we think, will be a successful means of providing construction credit It is not intended as a means of consumer credit, especially for equity accumulation sales. It is aimed to help builders plan their programs and cut their costs. In most States it will make direct savings in fees and costs through use of one mortgage for interim and permanent financing even after sale to an owner-occupant.

We have sought to help in the rental field by streamlining our Section 207 procedure. For the first time we have given our field offices complete processing and commitment authority. That itself is an evidence of our aim to simplify, to make flexible and practicable this system of ours; relying upon strong staffs afield and as few strings running to Washington as is consistent with soundness and uniform policy.

Presently we will have recast our Title I operation so that it will be a major part of the operations of every field office in the hope that it will be increasingly useful.

Thus far we have gone under existing legal authority. We continue to explore new applications of the authority we have.

But we explore also the possibilities of further authority that might be advisable and helpful in putting private enterprise most effectively into this immense task We must concentrate largely on homes for lower income groups We believe a simpler legal provision for insuring loans on smaller rental projects would improve the situation in a great many communities.

In brief, we want the FHA to be just as widely useful to the home-seekers of America as it can soundly be, and if it is not sound, it will not be really useful.

We don't intend to disregard the mandate for economic soundness. We intend to interpret it constructively.

We ask of you that you do the same, taking that middle course of lending that refuses to inflate in order to invest, and that provides an active role rather than a passive one in developing better housing for all our people.

It is an immense task. We in Government and you in business cannot do it separately. But together, the whole of private enterprise, with the proper aid of Government, we can succeed.

Goldsmith Resumes as Ira Haupt Partner

Ira Haupt & Co., 111 Broadway, New York City, members New York Stock Exchange, announce

Maj. B. M. Goldsmith

that Major Bertram M. Goldsmith, A. U. S., has resumed his activities as a general partner in the firm.

Argentina Open for American Imports

PHILADELPHIA, PA.—C. Robert Haines, Foreign Department Manager of the Corn Exchange National Bank and Trust Company of Philadelphia, who is making an economic survey in several South American countries for the Bank, reports from Buenos Aires that Argentina "is in a good position for purchasing in the United States now and will be for some time to come." Mr. Haines wrote that there are naturally great shortages in many things for which Argentina depends on importations. Among the Philadelphia industrial products which might have good markets are street cars, buses, locomotives, railway cars. High count cotton yarns, cars, trucks, repair parts for cars and trucks, office machinery, electrical supplies, agricultural machinery and all sorts of machine tools.

FIC Banks Place Debs.

A successful offering of an issue of debentures for the Federal Intermediate Credit Banks was made Nov. 14 by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of $43,810,000, 0.90% consolidated debentures dated Dec. 1, 1945, and due Sept. 3, 1946. The issue was placed at par. The proceeds, together with treasury cash of $1,990,000 will be used to retire $45,800,000 debentures maturing Dec. 1. As of Dec. 1, 1945, the total amount of debentures outstanding will amount to $242,285,000.

Gordon Crockett Has Rejoined Christie

HOUSTON, TEX. — A. Gordon Crockett has rejoined B. V. Christie & Co., First National Bank Building, as manager of the trading department after three years service on the U. S. Coast Guard.

Australia's International Trade Position

(Continued from page 2457)

based on the current exchange rate of $3.23 to the Australian pound did not give a fair idea of the value of the aid received and cited as an example a million woolen blankets supplied by Australia under reciprocal lend-lease and valued on the records as $2.64 apiece, whereas the same item cost $7.67 in the United States. The items supplied ranged from hand-grenades to stretchers, from telephone to printing facilities, from laundries to tiles.

Australia's All-Out War Effort

But perhaps the best comparative picture of Australian Reciprocal Aid is that the U. S. devoted about 14% of total war expenditures to lend-lease while Australia devoted approximately 18% to reciprocal lend-lease. The essential thing is that the resources of both countries through the Lend-Lease Reciprocal Aid mechanism were utilized in the most effective manner possible for the prosecution of the war. "I do not think," Col. Eddy concluded, "That one can find a better example of cooperation between two sovereign States, to their mutual benefit, than that which exists between Australia and the United States."

Nor is reverse lend-lease any measure of assessing the full value of Australia's war effort even in the Pacific. According to General MacArthur, and no one should know better, "No nation in the world is making a more supreme effort than Australia. It is rapidly gearing to full capacity. Its resources are relatively meager, but is utilizing them to the utmost. Its effort is universal, and embraces equally all classes and all parties."

Peace Has Brought a Dollar Problem

And so the United States and Australia exchanged goods and services in the common cause. We cannot repeat that procedure in peace-time. What can we do? The war has ended with Australia in possession of no dollars at all, and with our gold production almost down to zero. Production of gold was reduced solely because gold made only an indirect and not an immediate physical contribution to victory in the Southwest Pacific. In fact we used nearly all our available manpower either in the Armed Services or in direct war production. The percentage of manpower used in Australia solely for war purposes was not exceeded by any country.

All through this period, however, large stocks of wool were grown and accumulated in Australia. We must use this staple product to help balance our trade accounts with overseas countries. But your exporters want dollars, not wool. And such dollars as we can earn in your markets must be allocated to the American products we need most urgently. The obstacles to United States-Australian trade are not entirely or mainly obstacles of our creation. They are obstacles created largely by your customs duties, of which an example is your duty of 34 cents a pound on our raw wool. One question is whether this trade barrier can be removed or lowered without injury to the true interests of the producers and consumers of both countries.

I can assure you that Australians desire to trade more freely with their American friends. But how can we buy from you if we cannot sell to you? How shall we rid ourselves of the rationing of dollars if we cannot earn more dollars?

Australia Against Borrowing

There is, of course, one way that we might follow to escape this dilemma, we might borrow dollars. We may be urged to do so. But I may say at once that the Australian Government's policy is against borrowing abroad, against adding to her external debt. By borrowing, the dilemma would be escaped but only temporarily. This is no unfriendly policy. It covers all overseas borrowing and is necessarily applicable to the United States. Would it be wise for us to borrow dollars with the prospects before us? We are justly proud of our credit-worthiness. Our government stocks stand high in all overseas markets. We have always honored our commitments. During the great depression we imposed severe sacrifices on ourselves to do so, and we learned a stern lesson thereby. We shall never forget that lesson. Australia will endanger neither her future reputation nor her future domestic welfare by a resort to borrowing abroad.

If there is a solution of this trade problem to which we can contribute we hope to be able to find it. At the moment, part of the answer lies right here in the United States. It is a form of freedom we need; freedom to earn your dollars. And until we can earn more here, we may have to do with less of your excellent products, or to make more of them for ourselves. In short, traffic between any two countries in their commodities must be two-way traffic.

Briitish Commonwealth Based on Freedom of Each Member

I now proceed to describe briefly and informally the Australian attitude to two problems which have been exercising the minds of many Americans in connection with our trade. These problems are our relations to the Sterling Area, and the question of British Commonwealth tariff preferences. Before doing so I should make perfectly clear, if that is possible, hat within the limits of economic necessity we are parties to these two arrangements of our own choice, and entirely of our own free will. If anyone still supposes that we are not possessed of full freedom in these respects, he is many years out of date. As to all this, we are bound by no ties which we cannot agree to change, if our national and international interests should warrant any change, subject of course to the elementary proposition — elementary but often forgotten — that a multilateral agreement can be altered only by the free consent of all who are parties to it: And that no country can be expected to give such consent unless it sees clearly what the new situation will be if and when the multilateral agreement is altered or ended.

Sterling Area

We belong to what is called the Sterling Area. We have always done so, even in those days when a buyer of American goods had merely to go to his bank and buy dollars at the old par rate: when international traders could go ahead with their own particular deals on the safe assumption that they need not bother about any curious habits of their respective countries in the matter of currencies. But our dealings with foreign currencies were even then always through sterling. It was a practical convenience. We left the worries of fluctuating balances between two countries to our friends in London, and when we called on them for dollars we got them. They kept a sort of informal "dollar pool."

When the war came, we found to our dismay that the dollar resources of our British kinsmen were no longer freely available to be used for normal trade either to us or to themselves. We found that the "dollar pool" had to be made strictly formal, and to be made subject to rationing. It suited us to put into and take out of this pool the dollars we earned and the dollars we needed, because on the whole we are a dollar deficit country. But we had to ration dollars with the rest. There was nothing secret or sinister about it, nor anything significantly subordinate in the part which Australia took in the whole affair. And if there was anything in it deserving of the term "Sterling Bloc" it was quite justifiable.

Imperial Preference

The other matter I have mentioned is our system of preferential duties in favor of other British countries, and their systems with us.

The Ottawa agreements are objected to because we admit into our respective countries goods at lower duties than importers from the United States have to pay. Let me remind you that the Ottawa Agreements **followed** and did **not** precede the Hawley-Smoot tariff of 1930. They were in fact consequential upon that U. S. A. action, upon the great Depression, and upon the failure of the international economic conference of the time, But the principle of preference goes much further back. It is associated with the histories, habits, and sentiments of a particular family group of nations, and with their economic interests.

I may remind you that the United States has a problem not unlike ours in its treatment of the Philippines. The case is more extreme, for the transition there is to be much greater. If the Philippine Commonwealth is to become genuinely independent it cannot remain within the United States tariff wall. On the other hand no one expects that the Philippines can be excluded from its strong preferential position suddenly, ruinously, and without time for readjustment. I do not see how the United States can avoid discrimination in its treatment of the independent nation that the Philippine Commonwealth is to be. If that is so, some preferences must be justifiable.

If I may use a mechanical synonym which is well understood in this country, I may say that our economy is geared to a set of "preferential" tariff systems, both for exports and imports, and we cannot scrap the gears without stopping the whole machine.

In all of these trade problems we in Australia are hopefully anticipating a constructive and impartial lead from the United States, and from the Conferences yet to be held. More, we are anxiously awaiting the outcome. If we are to find expanding world markets for our farm produce, and a reasonable share of them for our new industries, we can expect to buy more from others. If not, we must buttress our defenses and build as we can at home. We alone cannot control the situation. To a very large extent we shall have to follow others. But we must grow. We are too young, too sparsely settled in our territory, too full of energy and ambiton not to grow. All that is part of Australia's "manifest destiny"—to use a significant American phrase of years long past.

Need for U. S. Leadership

The general direction of trade must depend on world trends, under your leadership.

Mr. Chairman, I have mentioned some of our trade difficulties; I am not unaware of your political difficulties in the United States. But we have ours too. Australia's Government is responsible to a democratic Parliament and a democratic people. Consider what our Parliament and our people in Australia would say if, without adequate guarantee for our overseas trade, we were to invite them to abandon their economic defenses, their sovereign rights over their tariffs and over their own currency and exchange rates. Adequate guarantees are not to be found merely in the good intentions of various international bodies, which might well be dominated by a few Powers.

Nevertheless I believe that the Australian people might be willing to review the situation and assess all its advantages and disadvantages. We realize what the stakes are. We shall strain every nerve to achieve the common objectives of the United Nations. We shall play our part in peace as we have played our part in war. But we have one important condition which must be satisfied.

World Importance of Economic Conditions in United States

I am striking a note which is the keynote of our approach to all these problems of international cooperation, when I say that the condition I refer to is simply that **you** continue to be prosperous and when I say that Australia's willingness to follow your leadership in any new international program must be measured by our confidence in your ability to maintain that prosperity.

But there is more to be said. We know from bitter experience that another great depression, following the postwar boom, seems to many observers to be as natural to the world's economic way of life as night following day. We know that, whatever may have been its causes, the great depression of the 30's made its first impact in the great stock market slump of 1929. Australia, and other exporters of primary products suffered at once from slumps in world prices. We know that your industrial depression came much later. It followed ours in direct sequence. We know that when you and other leading industrial nations, especially Britain, are prosperous, we are prosperous, and that when you fail, we suffer too.

Moreover, the point is that we suffer first. Your investors may get the first shock, but our farmers and workers get the second and greater shock which means widespread unemployment and suffering in many homes. You will realize that by the time your people really feel the full force of such an economic blizzard, we in the countries with more dependent economies have already been in it for some time. It would be futile to commence investigations at that late stage and to hold inquests. To Australians, this is no mere "business cycle." To us the welfare of the producers is not consequential or subordinate but of prime significance. For that reason we emphasize the term "employment" rather than the term "prosperity." And we make full employment, and the highest level of employment, the simple criterion for our basic international economic policy.

Full Employment

We know something of the difficulties which you face in this matter. They may indeed be greater than those which you solved so effectively in producing war equipment. Their technique may be even more involved than those faced by your scientists in producing the atomic bomb. It is not the time to discuss them. But it is within my province to suggest that the great new human achievement which must come out of the war is the solution of the problem of maintaining employment for all of our peoples. If we fail in that, all talk of freedom from want turns out to be a delusion and a sham.

If you have a high percentage of employment and a high percentage of purchasing power you can be quite sure that both domestic and external trade will certainly be developed and extended. For the past three years, my colleagues and I, and our representatives in this country and elsewhere have been missionaries in this positive cause, i.e. we have regarded the doctrine of removing trade barriers as ancilary to the task of maintaining the highest possible degree of employment. We have done our best to accentuate the positive and to eliminate the negative. We have put our thesis forward, with very substantial success, at the conferences at Hot Springs, at Philadelphia, and, especially, at San Francisco. The words "full employment" have passed into common speech. They are now to be found as declared objectives in several binding international agreements. The words were included in the United Nations Charter as an obligation of each member. That was largely the result of the initiative of Australia and New Zealand. The objectives and the pledges concerning full employment appear direct language each time they progressively in more forceful and are stated. The machinery for interpreting and implementing them grows in strength month by month, as for example in the Economic and Social Council of the United Nations. So far so good. The intentions are excellent. But good intentions have to be translated into effective action. Then and only then will our countries achieve that growth of trade that we earnestly desire solidly based upon the postulate of high levels of employment and rising standards of living for all peoples. It seems to me to be necessary, especially at the present time, to assert these objectives in the interests alike of our farmers, our workers, our industrialists, our exporters, and our importers. True prosperity is both indivisible and all-pervading.

Public Utility Securities

(Continued from page 2454)

Arizona Power Authority in filing a last-minute protest with the SEC against sale of the stock, on the grounds that if the sale went through it might have to bring condemnation proceedings against the company to obtain its steam plant for stand-by purposes. However, it is understood that the Authority (which was created for the principal purpose of handling and selling on a wholesale basis the State's allotted share of power from Boulder Dam) has not been very active as yet, and has not released the names of possible customers for this power.

Central Arizona considers the steam plant (which has an estimated value of over $4,000,000) essential to its own business for seasonal power requirements. However, should the company have to surrender the plant it appears likely that they will receive severance damages plus fair value in any court or jury condemnation award (there is, however, little precedent in Arizona regarding condemnation).

The stock was retailed to yield about 4.58% (assuming a 60 cent dividend rate), and at about 15.6 times the latest stated earnings. Tax savings in 1946 might amount to an estimated 48 cents per share but there will be a partial offset in loss of consolidated system tax savings. The company has had an excellent long-term growth record.

R. K. Creighton With Kirchofer & Arnold

RALEIGH, N. C.—R. C. Kirchofer, President of Kirchofer & Arnold, Inc., Insurance Building announces that Robert K. Creighton has become associated with the firm as director of business development.

Mr. Creighton was formerly regional director of the National Housing Agency in eight southern states. He also was formerly Secretary and Director of the Housing Authority of the City of Raleigh, North Carolina.

Congress Again Faces A Silver Decision

(Continued from page 2455)

legislation. This for some time now has been the outlook, and the industry has been making efforts to secure the necessary legislation.

Yet Senator Pat McCarran of Nevada, a leader of the strong Senate silver bloc, has chosen this period to agitate for a higher price for silver. Mr. McCarran has had the support of other Western Senators and Congressmen. One result of this agitation, in which the Mexican Government has not been idle, was the recent increase in the ceiling price of imported silver from the long standing 45¢ an ounce to 71¢. Thereby foreign silver receives the same treatment as domestic newly-mined silver.

With the Treasury standing ready to buy silver at 71¢ an ounce, industrial consumers can obtain silver outside the Treasury by paying something above that price, however slight the premium. Virtually the whole domestic mine output of silver has been going to industry in this manner. But if Senator McCarran should get his way and the price obtainable by United States mine producers at the Treasury should be increased to $1.29 an ounce, the entire domestic mine production would be sucked into the Treasury, where there is no need for it, and some 40,000,000 or 45,000,000 ounces of silver would be subtracted from supplies presently earmarked for American industry.

Because manufacturers estimate that, without this silver, their sales would be cut down by at least $200,000,000 at a time when there is a crying need for consumer and other civilian goods, the industry has been to Washington to seek, and it is expecting active Treasury support for the Green Bill (S. 1508).

During the past two or three weeks several visits have been made to the Treasury by Edward Otis, Secretary of the New England Manufacturing Jewelers and Silversmiths Association, Wm. F. McChesney of the Gorham Company, and Howard Boynton of Handy and Harman, bullion dealers and processors.

While the Treasury is expected to work for the passage of the Green Bill, so that Treasury silver may be sold to industry during the coming calendar year, it is expected to oppose the efforts of the silver mining bloc to raise the price of silver to $1.29.

Readers of the "Chronicle" will recall that several weeks ago Senator McCarran endeavored to have his silver proposals tacked on to the then pending tax bill as a rider. The McCarran rider not only called for $1.29 an ounce for domestic silver, but repeal also of Section 1805 of the existing Internal Revenue Code and of Sections 6, 7, and 8 and the second proviso in Section 3 of the Silver Purchase Act of 1934. These sections of the law at present stand in the way of trading in silver futures. They are a deterrent to speculation. Even without adoption of the $1.29 proviso, it is believed, repeal of the sections named would result in a rapid and marked increase in the price of foreign silver on the open market, and so achieve McCarran's obvious purpose.

Administration's Attitude

That the Administration would consent to the repeal of the special transaction tax on silver at this time is unlikely. It has always opposed repeal, ever since Senators McCarran and Elmer Thomas of Oklahoma tried to secure it in 1935. Were the transactions tax to be repealed at this time, there might be undue enrichment of Americans who acquired silver abroad at 45¢ an ounce in anticipation of the recent Administration lifting of the price ceiling to 71¢ an ounce for foreign silver. As matters stand, half of such trading profits must be paid to the Treasury.

Moreover, so long as there is any possibility, however slight, of Congress increasing the price at which the Mints accept silver, the Administration may be expected to oppose repeal of the transaction tax on silver, lest future speculators profit by discounting the event. What lends special emphasis to this is the theoretical possibility of acquiring Treasury silver for the purpose. For example, during the rest of this calendar year, while the Green Act now on the books remains in effect, industrial users may buy silver from the Treasury at 71¢. Theoretically, they might build up inventories of bar silver until Dec. 31. If the price of silver should be raised before the inventories are used, it would be possible to sell the bar silver from inventory at a profit.

Perhaps the strongest argument against repeal of the statutes which at present stand in the way of resumption of speculative trading in bar silver is that the building up of speculatively held stocks of the metal would lead to a repetition of the experience of 1933 and 1934. At that time, it will be recalled, speculators acquired large actual holdings or interests in silver futures in **anticipation** of "something being done for silver," and then became a strong pressure group **demanding** that that something be done—as eventually it was done. The history of that period may be traced in the broadcast Sunday discourses of the Rev. Charles E. Coughlin; and in the "List of Silver Hoarders," compiled by the Treasury Department and published in 1934 as a Senate Document.

Whenever imports of foreign silver increase, the supply problem of American jewelry and other industrial consumers will tend to be eased. The industry's great reliance on domestic mine production in recent years has been due to the paucity of foreign supplies coming on the market and the large wartime demand abroad for silver coins. In India and the Near East the very large Allied military expenditures during the war brought about troublesome inflation of incomes and prices. The consequence was a demand for more currency, notably silver coins. Now that the war is over, contraction of Indian and Near Eastern currencies is natural, and along with it one may look for the offerings of surplus monetary stocks of silver. An increase in the American buying price of silver would attract large amounts of Oriental silver here.

Position of China and Mexico

Just what China is going to do about silver the writer does not know. China has had such extreme paper-currency inflation during the war that some drastic corrective is called for. Doubtless the Government there would welcome an opportunity to get silver on loan from us for coinage use in China. But the putting of silver coins into circulation while there remains outstanding an astronomical amount of virtually worthless paper currency would be only to court the penalties of Gresham's law, the new coins disappearing as fast as issued. China's problem is much more difficult than that of a smaller and more orderly country like Holland, where all the wartime currency above a nominal denomination has been called in.

Mexico, as the world's greatest silver mining country, is looked to for the greater part of American industrial needs during the coming year. Latterly, Mexican silver has not been coming on the market. Reportedly the Mexican Government had been accumulating newly-mined production with a view to profiting by the American price increase from 45¢ to 71¢, which Mexican officials had reason to anticipate. Offsetting this boon to Mexico is the temporary inconvenience of having Mexican silver coins now more valuable as bullion than as currency. For the second time in barely a decade American silver policy has had this effect on Mexico's circulating coins. There is talk of the Mexican Government offering the people a premium to turn in silver coins presently being hoarded because of the current premium. If so, the Government will be sharing with private Mexican citizens the profits of the anticipatory hoarding.

Even the availability here next year of the entire mine production of Mexico, estimated at 70,000,000 ounces, and that of the United States, estimated at 40,000,000 to 50,000,000 ounces, will not suffice to meet the estimated American industrial needs of 125,000,000 ounces, it is said. Of course, there will be silver available from other mining countries like Canada and Peru, plus additional amounts of demonetized or other secondary silver. On the other hand, not all of Mexico's production will be available for export as bullion. And there will be coinage and industrial demands in other countries. Silver lend-leased to foreign governments and to be returned to this country ounce for ounce is estimated to total more than 400,000,000 ounces, but it will be some time before repayment can be expected. Indeed, if and when this silver is replaced in U. S. Treasury vaults, the foreign governments concerned may be in the market competing with American industrial consumers. The American industrial users are arguing, therefore, that in any case some Treasury silver will be needed by them next year, or industrial production will suffer.

What the Congressional silver bloc doubtless would like would be to take advantage of the need of the industrial consumers, giving the silver bloc's tacit consent to the new Green Bill (S. 1508 of October 24) in exchange for the McCarran $1.29-an-ounce proposition. Since that would involve either the Treasury's buying silver at $1.29 an ounce with one hand and selling it to industry at 71¢ an ounce with the other, or else, if selling it to industry at $1.29 an ounce, an exorbitant subsidy to silver sellers at the expense of industrial consumers, there does not seem to be the basis of a deal. The next few weeks should tell.

Alexander Seidler to Open Dept. for Bank

NEWARK, N. J.—Alexander Seidler, Jr., formerly with Julius A. Rippel, Inc., has become associated with the National State Bank, 810 Broad Street, where he will open a bond department.

DIVIDEND NOTICES

a.c.f.

AMERICAN CAR AND FOUNDRY COMPANY

30 CHURCH STREET
NEW YORK 8, N. Y.

There has been declared, out of the earnings of the fiscal year now current, a dividend of one and three-quarters per cent (1¾%) on the preferred capital stock of this Company, payable December 15, 1945 to the holders of record of said stock at the close of business November 30, 1945.

Transfer books will not be closed. Checks will be mailed by Guaranty Trust Company of New York.

CHARLES J. HARDY, *Chairman*
HOWARD C. WICK, *Secretary*
November 15, 1945

DIVIDEND NOTICES

Atlas Corporation

Dividend No. 37
on 6% Preferred Stock

NOTICE IS HEREBY GIVEN that a dividend of 75¢ per share for the quarter ending November 30, 1945, has been declared on the 6% Preferred Stock of Atlas Corporation, payable December 1, 1945, to holders of such stock of record at the close of business November 15, 1945.

WALTER A. PETERSON, *Treasurer*
October 26, 1945.

AMERICAN MANUFACTURING COMPANY
Noble and West Streets
Brooklyn, New York

The Board of Directors of the American Manufacturing Company has declared a dividend of 62½c per share on its new $25.00 Par Value Common Stock of the Company, payable December 31, 1945 to Stockholders of Record at the close of business December 15, 1945. The stock record books will be closed for the purpose of transfer of Common Stock at the close of business December 15, 1945 until January 2, 1946.

ROBERT B. BROWN, Treasurer.

CITY INVESTING COMPANY

30 BROAD STREET, NEW YORK 4. N. Y.

November 20, 1945

The Board of Directors has this day declared the regular quarterly dividend of $1.375 per share on the 5½% Series Cumulative Preferred Stock of the Company, payable on January 1, 1946 to stockholders of record at the close of business on December 18th, 1945. Checks will be mailed.

G. F. GUNTHER, Secretary

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company declared a final dividend on the common stock of the Company for the fiscal year ended October 31, 1945, of forty cents (40c) per share, payable December 20, 1945, to stockholders of record on November 26, 1945. At the same time, the Directors declared a quarterly dividend of sixty-five cents (65c) per share on the common stock payable January 15, 1946, to all holders of record at the close of business on December 17, 1945.

SANFORD B. WHITE
Secretary

Bayuk Cigars Inc.

A dividend of thirty-seven and one-half cents (37½c) per share on the Common Stock of this Corporation was declared payable Dec. 15, 1945, to stockholders of record Nov. 30, 1945.

An extra dividend of fifty cents (50c) per share on the Common Stock of this Corporation was declared payable December 15, 1945 to stockholders of record Nov. 30, 1945.

Checks will be mailed.

John A. Snyder
TREASURER

Philadelphia, Pa.
Nov. 16, 1945

MAKERS OF PHILLIES

DIVIDEND NOTICES

ELECTRIC BOAT COMPANY

33 PINE STREET, NEW YORK, N. Y.

The Board of Directors has this day declared a dividend of twenty-five cents per share and a special dividend of twenty-five cents per share on the Capital Stock of the Company, payable December 10, 1945, to stockholders of record at the close of business November 27, 1945.

Checks will be mailed by Bankers Trust Co., 16 Wall St., New York 15, N. Y., Transfer Agent.

H. G. SMITH, Treasurer.
Nov. 15, 1945.

KENNECOTT COPPER CORPORATION

120 Broadway, New York 5, N. Y.

November 16, 1945

A cash distribution of twenty-five cents (25c) a share and a special cash distribution of seventy-five cents (75c) a share have today been declared by Kennecott Copper Corporation, payable on December 22, 1945 to stockholders of record at the close of business on November 30, 1945.

A. S. CHEROUNY, *Secretary*

Magma Copper Company

Dividend No. 93

On November 15, 1945, a dividend of Twelve and One-half Cents (12½c) per share was declared on the capital stock of Magma Copper Company, payable December 17, 1945, to stockholders of record at the close of business November 30, 1945.

H. E. DODGE, *Treasurer.*

SOUTHERN PACIFIC COMPANY

DIVIDEND No. 112

A QUARTERLY DIVIDEND of One Dollar ($1.00) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on Monday, December 17, 1945, to stockholders of record at three o'clock P. M., on Monday, November 26, 1945. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, Treasurer
New York, N. Y., November 15, 1945.

TENNESSEE CORPORATION

TENNESSEE CORPORATION

A dividend of 25¢ per share has been declared, payable December 14, 1945, to stockholders of record at the close of business November 28, 1945.

61 Broadway
New York 6, N. Y.
November 13, 1945.

J. B. McGEE
Treasurer.

TEXASGULF SULPHUR COMPANY

The Board of Directors has declared a dividend of 50 cents per share and an additional dividend of 25 cents per share on the Company's capital stock, payable December 15, 1945, to stockholders of record at the close of business November 26, 1945.

H. F. J. KNOBLOCH, *Treasurer.*

The Western Union Telegraph Co.

DIVIDEND NO. 275

A dividend of 50 cents a share on the Class A stock of this company has been declared, payable December 15, 1945, to stockholders of record at the close of business on November 23, 1945.

W. P. MARSHALL,
Treasurer.
November 13, 1945.

THE YALE & TOWNE MFG. CO.

On November 20, 1945, a special dividend No. 224 of forty cents (40c.) per share was declared by the Board of Directors out of past earnings, payable December 19, 1945, to stockholders of record at the close of business December 4, 1945.

F. DUNNING, Secretary.

THE YALE & TOWNE MFG. CO.

On November 20, 1945, a dividend No. 225 of fifteen cents (15c.) per share was declared by the Board of Directors out of past earnings, payable January 2, 1946, to stockholders of record at the close of business December 4, 1945.

F. DUNNING, Secretary.

AMERICAN CYANAMID COMPANY

Preference Dividend

The Board of Directors of American Cyanamid Company, on November 20, 1945, declared a quarterly dividend of 1¼% ($.125) per share on the outstanding shares of the 5% Cumulative Preference Stock of the Company, payable January 2, 1946, to the holders of such stock of record at the close of business December 1, 1945.

Common Dividends

The Board of Directors of American Cyanamid Company, on November 20, 1945, declared

1. A quarterly dividend of twenty-five cents (25¢) per share on the outstanding shares of the Common Stock of the Company, payable January 2, 1946, to the holders of such stock of record at the close of business December 1, 1945;

and

2. A special dividend of twenty-five cents (25¢) per share on the outstanding shares of the Common Stock of the Company, payable December 28, 1945, to the holders of such stock of record at the close of business December 1, 1945.

W. P. STURTEVANT, *Secretary.*

Post-War Financing and National Distribution of Securities

(Continued from page 2451)

many times we have been in agreement, because it makes me feel that I have been fair too. I have tried to be.

Many, when they think of this great country, which means the great states which comprise it and over the welfare of which in the realm of securities you preside, visualize a map divided by irregular lines into parts. To me it means people, very fine and adorable people, members of this Association, and it means cities and towns studding this vast land, sparkling like jewels in the sun and moonlight and commemorating so beautifully the many happy occasions when I have partaken there of your warm and gracious hospitality. It is indeed grand to be with you again.

When your President extended to me your very kind invitation to talk to you, he said, "Fitz, the Commissioners tell me you have been bothering them more than usual lately sending a lot of packages filled with papers of one sort or another and they think it is about time you told them whether you intend to keep it up and if so, give some justification for it."

Naturally I felt highly honored and consequently I am here to tell you of the type of securities which it appears to us will most likely be offered to the public from now on for a while and whether in our opinion your state securities laws will require compliance in order to effect their national distribution.

I

Let us consider first the type of securities which it appears will be offered to the public in these post-war years.

As you know, most of the financing in the last few years has been for the purpose of refunding. As interest rates have declined, the volume of securities issued for the purpose of retiring those issued at higher rates has increased. Practically all of the money for the tremendous expansion and conversion of industry to war production has come from the Federal Government or through the commercial banking system in the form of credits guaranteed fully or in part by the Government. In some cases, notably the automobile and steel industries, the companies themselves have drawn heavily on their own resources for necessary funds. Recourse to the public market for new money, except in isolated instances, has been of relatively small volume.

Until the Government debt is reduced, interest rates will continue at present levels and may go even lower and, of course, the Government is still increasing, not reducing, its debt. This does not mean that refunding financing will continue to increase. Much of the large refunding operations has been completed and unless interest rates should decline to an extent which would make it worthwhile to issue new securities to refund those recently offered, which is possible but now seems unlikely, the volume of this type of financing will lessen.

Does this mean that the volume of new securities issues as a whole will decline? Quite the contrary. It would appear that the activities of investment bankers in obtaining substantial amounts of new capital will increase rather than decrease and will continue at a high rate for some years—the duration depending upon the wisdom with which many problems now confronting us are met.

Risk Capital Essential

While economists differ as to details, there appears to be fairly general agreement that our post-war economic structure, if it is to support a balanced budget of the size that sound fiscal policy necessitates, must include a national income expanded far beyond pre-war levels. This can be achieved and maintained only by profitable production and employment at much higher levels than heretofore. Industry cannot be financed solely, nor in many cases should it be financed largely, by debt and preferred stock. It is evident that the needs to a large extent will be for risk capital. The flow of such capital into new industry has been on a very restricted basis for twelve years. It must be made profitable for risk capital to venture into new enterprises and to supply additional needs for money that established businesses will require. A revitalization of the spirit of enterprise in this country will go far toward solving the economic and social problems which we are now called upon to face. The problem has been well stated by Professor Charles Cortez Abbott of the Harvard Graduate School of Business Administration in a study entitled "Forces Influencing Investment in Business Enterprise After the Transition Period," as follows:

> "It seems probable that business with the assets which it will have at the end of the war, will not be able without additional financing to produce and distribute the volume of goods and services necessary to provide full employment. The needed increased expenditure by business concerns for investment purposes, which implies an enhanced volume of investment in business, is itself one of the principal circumstances requisite for the attainment of a high level of employment. Should this needed investment take place, it will go far toward producing the desired level of employment.
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> * * *
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> "If a high level of employment is to be achieved and maintained in the post-war period, one of the major objectives of both business policy and public policy must be to make ownership more attractive than it has been recently. On this point must unite, if they adhere to the logics of their respective positions, both those persons in the business world who of late years have been critical of many governmental policies on the grounds that such policies allegedly threatened property and property ownership, and those persons in the government service and the academic world who have been critical of the functioning of the financial and investment process and the activities of property owners on the grounds that insufficient investment was taking place to provide a satisfactory volume of employment."

What types of financing will be needed?

As you know, during the last two years there have been a great many secondary offerings consisting primarily of the redistribution of large blocks of listed stocks. No doubt these will continue. There has been also a degree of activity in a type of financing which promises to continue if not increase. I refer to the recapitalization and refinancing of industrial companies whose securities have been closely held and are now being offered to the general public for the first time. The high levels of corporate and personal income taxes of those who previously had funds for investment, as well as large increase in inheritance and gift taxes, have been strong influences in this development. Competition and reconversion problems also have caused the owners of many closely held companies to consider mergers or the sale of equity securities to the public so that there will be an established market in which further new capital can be raised, if advisable, in the years ahead.

Loans Abroad

Most foreign governments are bankrupt and their people destitute. Those which are to receive financial aid from this country must in the first instance, of course, receive it from the Federal Government. Naturally we are moved by compassion to aid those who are starving, sick and freezing. It has been a serious question whether with the tremendous debt under which we are laboring we can afford, for humanitarian reasons, to lend the large sums necessary. Consideration, however, has led many to the conclusion that for purely selfish reasons alone we cannot afford to refuse to advance such amounts as careful study deems requisite. The stoppage of foreign purchases by refusing credits would certainly prevent the full production which alone can prevent inflation and create and maintain employment at the high rate desired. Given the existing structure of the American economy, production cannot be maintained at a high level without very substantial exports. In due time private capital should find its way to such foreign governments as are deserving and prove themselves financially responsible.

Our Governments, Federal, state and municipal, and their political subdivisions, agencies and instrumentalities, are planning vast improvements and new projects requiring construction and contracting jobs entailing large expenditures of money and consequent issuance of new securities.

All means of transportation, railroads, airlines, motor bus and motor trucking companies, taxicab companies, and the like, are in dire need of rehabilitation.

Railroad equipment is most inadequate for present and future needs. New engines and cars are being streamlined and produced with an eye to far greater comfort for passenger travel and efficiency for freight transit to meet the increased competition from airlines and motor transportation. Equipment trust certificates are again coming into their own.

Airlines Good Prospects

Bankers Trust Company, The Mutual Life Insurance Company of New York, The Chase National Bank of the City of New York and The New York Trust Company issued in April, 1945, the result of a comprehensive study which they made regarding airline finance. Their conclusions may be summarized as follows:

> "In the next five years the American domestic and international airlines will spend nearly $750,000,000 for flying equipment and non-flying equipment and facilities, and may have to borrow as much as $350,000,000.
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> * * *
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> "Well-managed airlines should be able to borrow a substantial portion of the cost of their flying equipment. The size of the potential borrowings indicates that most loans will be secured. No standardized borrowing instrument, such as the railroad equipment trust, is likely to be adopted in the near future. At this time, it is expected that loans will be based, to a large extent, on chattel mortgages, equipment trusts, or conditional sale contracts, depending upon the circumstances in each case. Certain changes in legislation are desirable, and the form of the loan instrument will be influenced by the legislation that is passed. The airline loan should be shaped to meet the borrower's requirements. The chattel mortgage will probably be most frequently used in domestic operation, and the equipment trust or conditional sale contract for American airlines operating abroad.
>
> "There is an important and constructive opportunity for lenders to serve the young and expanding air transport industry in the next few years. It will represent major financing of a desirable nature which can best be undertaken with the cooperation of the airframe manufacturers, the airlines, the governmental authorities, and the financial institutions."

That there will be means of airline financing other than that mentioned above is indicated by a 15-year 3½% convertible income debenture issue of Pennsylvania-Central Airlines Corporation offered last September, and by an issue of cumulative convertible preferred stock of The Aviation Corporation offered this month.

Similarly the utilities will need large sums of money for needed repairs and for expansion and reconversion purposes.

Telephone companies have about completed their refunding operations and are in great need of new funds. As you know, Southern and Southwestern Bell Telephone Companies issued debentures for refunding purposes not long ago. Pacific Telephone and Telegraph Company plans the sale soon of $75,000,000 principal amount of 40-year 2¾% debentures. American Telephone and Telegraph Company, the parent company of the Bell System, had two large debenture issues this year. Those issues complete the refunding requirements of the companies mentioned and they are now making reconversion plans which will require new capital. American Telephone and Telegraph Company has already planned to raise two and one-half billion dollars during the next ten years, an average of over two hundred million dollars a year.

The reconversion needs of established industrial corporations and the initial requirements of new enterprises no doubt will demand far more new capital than the other types of corporations mentioned.

New and improved automobiles, boats, radios, television sets, air-conditioning and refrigeration units, sewing machines, new housing projects, home and office furnishings and innumerable devices, made of new and improved materials, will find their way on the market to supply our needs and provide for our comforts, and money for their advertising, manufacturing and distribution must be obtained.

Source of Equity Capital

Where is the needed equity capital to come from?

I had a talk with the officers at the Federal Reserve Bank in New York just before coming here. Their records show that deposits in commercial banks and mutual savings banks increased from 55 billion dollars in June, 1939, to 137½ billion dollars at the end of August, 1945. Of course, some of these funds are required for current business purposes and individual expenditures but the greater part represents idle money available for the purchase of goods or for investment. In addition, currency outside of the banks, part of which is circulating and part of which is idle and available for the same purposes, increased from 6 billion dollars in June, 1939 to 26½ billion dollars at the end of October, 1945. It is apparent, therefore, that expansion in the income of the country since the beginning of the war has been tremendous.

Obviously equity investments must not be substituted blindly for Government bonds now owned by so many people. The existence of these large funds, however, presents one of the greatest invitations to inflation as the termination of the war releases the people from wartime and patriotic restraints, thus creating a large demand for goods which cannot be satisfied immediately. The conversion of a portion of these liquid funds into sound equity investments would serve the double purpose of lessening the chances of inflation and furnishing, at least in part, the funds which industry will require in the post-war period.

II

Now let us consider how the securities laws of the various states will affect the national distribution of the types of securities we have mentioned:

State Laws vs Security Financing

Of course, you know your own laws so much better than I do, and the reasons for the inclusion or exclusion of certain provisions to which I shall refer, that it would be most presumptuous of me to do other than first, speak of the practical effect which experience has shown such laws have on the advertisement, offer and sale of securities which underwriters wish to distribute throughout the country from New York, and second, express a personal opinion as to how, with slight changes, such laws can be made less burdensome to legitimate business, which they were never intended to affect adversely, without thereby lessening the protection which they afford to the investing public, for which purpose they were enacted. Necessarily my comments must be brief, but I shall be very glad to talk further later with anyone who is interested.

Of course, some of the States have fraud laws and others do not require the registration of securities, so when I speak of the registration of securities you will know that I am referring only to the laws which do require such registration in one form or another. This will avoid my distinguishing between such laws as I go along.

Let me speak first of the necessity of registering as a dealer and registering securities when selling the latter to registered dealers, banks, savings institutions, insurance companies and corporations. Such sales are generally classified as "exempt transactions," which are exempted entirely from the provisions of the laws, requiring neither registration of the seller as a dealer nor the registration of the securities sold. This is as it should be. None of those named needs any protection in the purchase of securities. The laws of a few important States, however, do not contain such an exemption. The only one of those mentioned who can resell the security to the public is the registered dealer. He is registered with the securities commission, is subject to suit in the State, and cannot legally resell the security to the public, unless it is exempt, without registering it. The institutions mentioned have expert advisers as to the purchase of securities and need no protection. It is impracticable for New York underwriters to register as a dealer in each State of the Union and if they have no office in the State and send no representatives therein, they will not register as a dealer and register the security in order to offer to those named unless the demand there for securities is sufficiently large to warrant the underwriter as a matter of business policy subjecting itself to suit in a foreign jurisdiction. The result is that the underwriter will either telephone the offer from New York, consummate the transaction in New York by having payment and delivery for the account of the purchaser made there, so that the only infraction of the law is his offer made in the State over the telephone, or he will respect the law and refrain from making the offer. Representative underwriters will adopt the latter course, irresponsible underwriters the former. All that the refusal to include such an exemption in a state law accomplishes is to deprive the residents of that state from purchasing the better type of securities offered by representative underwriters in other states having such exemption.

Secondly, let me speak of the type of securities which are very generally exempted from registration when offered by registered dealers, but which some states do not exempt.

First are Government securities. All states except two exempt Government securities, although some of the exemption provisions are more inclusive than others. The only suggestion I make for your consideration is to add to the exemptions, where they are not specifically named, securities of municipalities and of political subdivisions, agencies and instrumentalities of a state. If this is done it will render the exemption of much more practical use. I think I may best make my point clear by way of illustration.

The Legal Aspects

Suppose it is desired to distribute a security of a city of State A in State B. If the securities law of State B specifically exempts the securities of municipalities, the security in question may be offered there. If the law of State B does not contain such exemption, does it exempt the securities of both political subdivisions and agencies of a State? If so, the security in question probably may be offered there because a municipality ordinarily is defined as either a political subdivision or an agency of a State. It is necessary, however, to examine the constitution and court decisions of State A to determine that. If the law of State B exempts only the securities of a political subdivision of a State or those of a State agency, the security in question may be offered there only if the constitution or court decisions of State A define a municipality of the State to be either a political subdivision or an agency in accordance with such exemption. When it is realized that, undoubtedly it would be desired to offer the security in question not only in State B but also in most other States, it will be seen how helpful it is to include specifically in State securities laws those governmental units the securities of which it is desired to exempt.

If securities of State agencies or instrumentalities are not exempted, such securities as those of the Port of New York Authority, California Toll Bridge Authority, Department of Water and Power of the City of Los Angeles, Delaware River Joint Commission of Pennsylvania and New Jersey bridge bonds, and similar securities may not be offered. Of course, all of such securities could be offered if registered, but underwriters acquire most of them by public bidding and usually there is no time for registration. It seems that Federal and State agencies and municipalities are increasing in favor as the best means of accomplishing certain purposes and if, as appears, it is desirable to exempt their securities along with those of other governmental units, and to exempt the securities of municipalities, it is a simple matter to name them specifically.

Issues Not Exempt from Registration

Also among securities which are generally but not always exempted from registration are those issued or guaranteed by a corporation owning or operating a railroad or other public service utility, provided the corporation is subject to regulation or supervision either as to its rates and charges or as to the issuance of its securities by a public service commission of the United States or of a State, and in some laws, of a municipality. Some States are more demanding and do not grant exemption unless the issuance of the security is subject to approval by such public service commission. This exemption is logical and is based on the theory that if the corporation is subject to regulation or supervision as to its rates and charges, and particularly if the issuance of the security itself has been or is to be approved by a body of experts especially versed in public service matters and chosen for their particular knowledge of the subject, it is unnecessary for the securities commissions to review the matter. A few States do not include this exemption; some confine the exemption to railroad securities, others confine the public utility exemption to securities approved by the commission of their own State, while still others attach an additional requirement regarding earnings which must be met. The failure to grant the more inclusive exemption appears to be designed and presumably is because of distrust of the public utility commissions of other States, which is hardly the attitude toward a representative body of a sister State one would expect, and no doubt is one which would be resented if found to exist regarding those assuming such position. One State exempts the security of railroad corporations which have been approved by the Interstate Commerce Commission but does not exempt securities sold subject to such approval. Such exemption is of no real value since practically all such securities are sold subject to the approval of that Commission. It is hoped that the wording of this exemption will be amended to accord with that of most States.

Issues Listed on Exchanges

Similar to the exemption from registration of securities of railroads and public utilities, and based upon the same principle, is the exemption of securities fully listed on certain stock exchanges which are named, or on those which are previously approved by the securities commission, and securities senior thereto. This exemption is included in about the same number of laws as that mentioned regarding securities of public utilities. Since the corporation issuing such listed security, as well as the security itself, has met the presently rigid requirements of such exchanges, there seems to be no good reason why such security should have to be registered. The exemption of the listed security is of no practical value except in the case of secondary offerings, as it is impossible to list an issue fully, or to trade in it where this is an added requirement, prior to its initial offering, since it has not then been issued. If the security to be offered is an additional amount of a security already listed, some laws exempt it when regularly approved for listing upon its issuance. This exemption is of value and should be more generally adopted. The exemption which is of most practical value is that relating to securities senior to those listed. Some securities commissions are opposed to this exemption because the security itself has not been subjected to the scrutiny of the stock exchange officials. It would seem, however, that they lose sight of the fact that such officials are being continually apprised of what the issuer of the security is doing and its finances and business condition, as a requirement for the continued listing of its junior security. If something occurred which would affect the issuer, and consequently the new security, adversely, it would be reflected in the action of its listed security and anything serious no doubt would result in the striking of its junior security from the list and thus terminate the exemption of the new security.

Now let us consider securities which are not entitled to exemption for any of the reasons which we have discussed but are issued by a corporation owning a business property or industry which has been in continuous operation for a certain period of years, usually three or five, and has shown certain prescribed earnings for the last two or three years. Securities of issuers meeting the required test would be exempt from registration in a few States. They could also be registered easily by notification in a large number of States and would be readily registerable in most other States not having such form of notification registration. We encounter no real difficulties in registering such securities for sale except in a few States.

These States require the issuer to subject itself to suit whenever its securities are registered. Although issuing corporations understand that they must comply with State securities laws when they offer their securities by agents to whom they pay a commission, and are perfectly willing to do so, they will not subject themselves to suit generally throughout the country when they have sold their securities outright to underwriters, have no title thereto, and have nothing to do with their sale. Experience has taught them that to do so lays them open to "strike" suits instituted by unscrupulous persons in the hope and expectation that such corporations will find it cheaper to settle even an unfounded claim than to engage local counsel and incur the expense necessary to the conduct of a trial in a foreign State and the transportation there of their records and witnesses, most of whom are needed to conduct their business in the home office. As a result these States are invariably omitted from national offerings of securities, unless the issuer is already subject to suit there by reason of its business, and the residents of such States are given no opportunity to purchase such securities. It would seem that the securities commissions of such States should be sufficiently well satisfied with the financial responsibility of and their regulatory power over the dealers registered with them who sell the securities and it appears entirely unnecessary to require the issuer also to subject itself to suit.

Non-Exempt Issues

Now let us give a little thought to securities of corporations which meet none of the requirements entitling them to exemption, or to registration by notification or comparable simple means of registration, and which consequently can be registered, if at all, only by furnishing detailed information. This ordinarily is called registration by qualification or as a Class "D" security. It will include corporations which are newly formed, of which there should be a great many if our hopes and plans are to be realized for a sound, inclusive and sustained improvement and expansion of business created and shared by new enterprises and established concerns.

We are confronted with the problem, of which I have spoken, regarding the subjection of the issuing corporation to suit but in a far greater number of States. That will be required not only in the States to which I have referred but in all States having registration by notification and qualification. As you know, when securities are registered by qualification the issuer must subject itself to suit even if application is made by a registered dealer.

Unless the commissions are disposed to support legislation removing this requirement from their laws or new corporations are less adamant in their opposition to complying with it, it would seem that the sale of securities of many such corporations will be diverted to States which do not have such requirement.

While speaking of the registration of securities I should like to say a word of sincere commendation of the commissioners for their very constructive and cooperative policy in administering the registration provisions of their laws by permitting the information required by the forms to be furnished by reference to the registration statement or prospectus.

Uniform Qualifications Urged

Having been an early advocate of the uniform form for the qualification of securities and later having been accorded the privilege of cooperating with the commissioners in its preparation, I continue to think that its advantages deserve greater recognition and to hope that there will be renewed consideration and discussion of its adoption by additional commissions.

Among the matters which have been the subject of considerable discussion during the past year has been that of warrants or stock purchase options granted to underwriters or to company executives. My own practice has not included any securities issues in which such warrants or options were involved, and I shall therefore limit my remarks to rather general observations.

At the outset it may be noted that the statement of policy of certain commissioners issued last May was the result of discussion and consideration of a group of them. This is in accordance with the growing and healthy disposition of commissioners to arrive at even temporary rulings only after thoughtful consideration with a number of their associates. This practice of consultation and exchange of views, widened to include discussion with a representative group of the persons affected, has been one of the outstanding features of these conventions.

Warrants and Stock Purchase Options Essential

There is nothing inherently wrong in the use of warrants or stock purchase options. They serve a useful purpose and there should be no attempt to ban them. It is their abuse which is wrong and should be stopped.

The valuation of the warrants and stock purchase options admittedly is difficult and I think it is the failure to solve that difficulty which is causing the dissatisfaction with their use and which underlay and prompted the declaration of policy to which I have referred. When a proper valuation is placed upon the warrants and stock purchase options I think the problem will solve itself.

The total underwriting discount must be determined by adding the value of the cash underwriting discount and the value of the warrants or stock purchase options granted to the underwriters and deducting therefrom any cash payment made by the underwriters. The intangible value to be derived by the issuer in the future from the enlightened self-interest of the underwriters, by reason of the rights they have acquired, should be disregarded.

Underwriting Discounts

This total underwriting discount must not exceed that allowed by the securities law of the particular State, but it cannot be determined until the warrants or stock purchase options, which constitute an essential part of it are properly valued. When a proper valuation has been placed upon them it will become apparent whether the total underwriting discount exceeds the limit prescribed by the law or by the reasonable rules and regulations of the commission. If it does, the commission should not, of course register the security. If it does not there should be no objection to its registration in so far as the warrants or stock purchase options are concerned.

Although the valuation of the warrants or stock purchase options is difficult, it is not impossible. Accordingly, I suggest to you that a committee of commissioners meet with the securities dealers present here who are interested in the subject and by frank exchange of views find a workable answer to the problem.

The granting of similar warrants or stock purchase rights to corporate executives seems to involve somewhat different considerations. This is not a matter of underwriting discount as to which a number of states charge their commissioners with specific responsibilities. Speaking generally, it is one aspect of a general estimation of the issuer to determine whether any reasonable ground exists for refusing to register its securities. The statutes differ widely in the various states and each commisioner must be guided by the law of his state in deciding whether the existence of these rights is sufficient basis to empower him to deny registration. Assuming the power exists, I suggest further the salutary approach that only clear abuse of corporate authority should be deemed a basis for denial of registration.

You have had many years of experience with the management of business and know that in most companies a practical system of checks and balances has been established. You know also that such a system prevents most abuses and that when the truth about a particular occurrence is ascertained it is found that many apparent abuses are not such in fact. The courts have long followed the practice of not interfering in corporate management in the absence of clear abuse. I suggest that your responsibility under most of your statutes is similarly limited and that your approach follow the lines laid down by the courts.

Responsibility of State Agencies

My friends, in these momentous times of stupendous events and climactic happenings, your responsibilities are tremendous and will become increasingly so. It is no exaggeration to say that without your reasonable administration of your securities laws and the willingness to use your great influence in procuring necessary amendments to those laws, the hopes and aspirations of mankind for an orderly, timely and successful transition from war to peace will not be realized.

Without the necessary funds obtained largely by the distribution of securities in accordance with the laws which you administer, industry cannot be financed to produce what is essential to meet the needs of this and other countries and to furnish the employment required for our welfare.

Without prosperity this country cannot exert the beneficent and constructive external influence so necessary to the proper solution of the intricate international problems confronting us. The United States, prostrate in the throes of depression, will hardly inspire the admiration and confidence of the world or demand the wholesome respect so necessary to our prestige and influence for good in the adoption of an enlightened foreign policy.

So you see how important your administration of your laws is, not only to your State but to the nation and the world, and how necessary it is that your thought and outlook governing such administration be commensurately broad and universal.

Your ability, your wisdom, your knowledge, your willingness to examine all sides of a question and to consider the other person's point of view, are among the marks of your merit. In coming to a conclusion regarding the important and difficult problems which will be presented to you, I know that Great Power without which none of us can reach a correct decision, will be with you and will guide you always.

War Financing—Some Implications for the Future

(Continued from page 2462)

year 1945 when the Government accounted for $100 billion out of $211 billion total spending. Contrast this situation with that in World War I when the Federal Government accounted for a maximum of only about one-fourth of aggregate market spending, with the other three-fourths coming from consumers, business, and State and local governments. In the fiscal year 1919 — the peak year of Federal spending in World War I—total expenditures in this country amounted to about $75 billion, of which the Federal Government accounted for a little under $19 billion.

I think it is obvious from these figures — and, of course, most of you have known it all along—that the difference in the financing job in this war was not only one of size but one of kind. When the Government takes over such a large proportion of our output to fight a total war the economic effects become important all along the line. The figures I have cited merely point out the tremendous contrast between the financing problems of World War I and World War II.

Where Government Spending Went

Let's look further at that $833 billion of total spending in the five-year period. It is axiomatic that aggregate spending in the country is equal to aggregate income. The head of the coin is the $833 billion of spending while the other side is the $833 billion of income flow. It should be noted that this is a **gross** income flow since it includes such items as funds flowing into business reserves as well as net income in the usual sense.

Who received this gross income flow? We know that the Federal Government received in taxes $133 billion or about 15% of the total income flow, and State and local governments received about $49 billion. Of the remaining $651 billion of income after taxes, about 90% was distributed to individuals and 10% to corporations. Corporations are here treated as a conduit and only the new funds remaining in their hands over the five-year period are counted as being received by them. The corporate income items thus consist of retained earnings plus accretions in reserves, such as depreciation and depletion accounts, over and above what was invested in new capital goods — plant, equipment, and inventories. The income flow to individuals includes dividends received from corporations.

Turn these figures around another way. The Federal Government spent $323 billion and received in taxes $133 billion, leaving a deficit of $190 billion. Individuals and corporations spent $469 billion but had income after taxes of $651 billion. Here was a surplus of $182 billion, and if you add in the $8 billion surplus of State and local governments you obtain an exact correspondence with the $190 billion Federal deficit.

One of the major goals of Treasury financing was to try to channel back into the Treasury as much as possible of this $190 billion which people were accumulating as a result of the Federal deficit. From a financing point of view, every means possible had to be taken to persuade people to hold these funds rather than to attempt to spend them, for such an attempt on a large scale would have meant inflation. Direct controls on production, wages, prices, etc., operated on one front to dam up these funds, but the Treasury had to operate on another front to see that the funds remained saved. The best way to accomplish this was to get as much as possible of these funds into Government securities.

What were our results? Let's look at the three major forms of liquid assets held by all nonbank investors combined, namely, currency, commercial bank deposits, and Federal securities. These are the significant ways in which the deficit manifested itself. Because of various minor transactions in the economy which we do not need to go into here, the total increase in nonbank holdings of these major liquid assets during the five-year period we are talking about was actually $189 billion, rather than the $190 billion deficit.

Government Bond Purchases

Of the approximately $190 billion available, $121 billion was placed in Federal securities by nonbank investors. Individuals were the largest investors, adding $49 billion to their holdings of Government securities over the period. Insurance companies absorbed $16 billion of Government securities and savings banks took $6 billion. Other corporations and associations absorbed $27 billion. State and local governments acquired $5 billion, and Federal agencies and trust funds invested $18 billion—the last representing mostly social security and military insurance funds.

In other words, about two-thirds of the $190 billion of new funds was placed directly in Federal securities and one-third in money savings—that is, currency and commercial bank accounts. The one-third placed in money savings in turn resulted in a corresponding amount of absorption of Federal securities by the banking system. Because individuals and businesses chose to place one-third of their new savings in currency and commercial bank deposits, commercial banks and Federal Reserve Banks absorbed Federal securities of an equivalent amount. Over the five-year period the banks, accordingly, absorbed $68 billion of Federal securities to match the growth of currency and commercial bank deposits. They absorbed also an extra $20 billion of Federal securities as a result of other factors, the most important of which was the growth of the Treasury's cash balance.

Coming back to this $68 billion of money savings over the five-year period, why did the people of this country make the collective decision to place this much in cash rather than to invest even more in Federal securities than they did? We have asked ourselves many times what should have been par for the amount placed in Federal securities or, vice versa, what should have been par for money savings under the circumstances. Unfortunately, there is no precise answer to these questions. You may be interested, however, in some observations on the factors bearing on them.

Increase in Currency

First of all, take the question of currency. Out of $68 billion of savings going into money forms, currency accounted for $18 billion. While this is a big increase, I believe it must be seen in perspective to be understood. The major forms of liquid assets held by all nonbank investors combined have increased from $85 billion in the middle of 1940 to $275 billion at the end of the Seventh War Loan. As a proportion of these totals for liquid assets, currency has been remarkably stable—accounting for 8% of the total in June, 1940, and 9% of the total in the middle of this calendar year. We studied this series in World War I and found the same stability in the proportion of liquid assets held in the form of currency, the figures running from 7½% to 9½% in that war.

It must be remembered that during World War II the distribution of income was significantly altered so that millions of families, formerly on a subsistence level or even below, received adequate and decent incomes for the first time in their lives. Naturally, they increased their holdings in currency—from a figure of approximately zero to something running up to, I suppose, several hundred dollars in some cases. In our surveys some people have stated frankly that they derived a sense of security and comfort from having a wallet full of currency.

Another factor bearing on the currency increase was, of course, that the level of business was so much higher than ever before that all along the line it was necessary to have more currency to carry on transactions.

A third factor is that banking was not always convenient for many people, either because of odd working hours or because of a lack of nearby banking facilities, particularly in communities where industrial growth was most striking.

Finally, there are, of course, the motives of tax evasion and black markets. You know from the tax evasion cases which have been discussed in the papers that a few of our citizens tried very hard to beat the tax laws. Some part of the currency outflow has been due to these illegal activities, but it is believed that this has been a relatively small factor in the currency growth.

From the standpoint of selling war bonds, these explanations of the currency outflow are important because most of the people who absorbed this currency also bought bonds. A total of 85 million people have purchased Series E bonds and I doubt that very many of those who haven't bought bonds hold much of the currency either. What has happened is that people have both bought bonds and acquired currency, and so long as the currency is not hot money from the inflationary point of view it is not inconsistent with our campaign for new savings to avoid inflationary pressures.

Subtracting the $18 billion growth of currency, the remainder of the $68 billion of money savings consisted of a $50 billion increase in commercial bank accounts. What should we conclude with regard to the motivation of people in wanting this particular increase in the money supply? We know first of all that about $38 billion of this increase was in demand deposits and about $12 billion in time deposits.

Increases on Deposits

In the case of demand deposits, corporations and associations accounted for about 40% of the increase, or about $16 billion. These were not inflationary funds but rather, for the most part, were needed increases in working capital and funds set aside for reconversion. In addition, for various reasons corporations were accumulating temporary reserves which they preferred to keep to a considerable extent in readily available cash.

Another large part of the increase in demand deposits is accounted for by unincorporated businesses and farmers, which in many cases were faced with the same need for larger working capital as corporations. About $10 billion of the demand deposits accumulated by individuals during the period should be credited to these investors as business accounts. In addition, State and local governments acquired about $2 billion of demand deposits over the period, while insurance companies and savings banks actually reduced their deposits by nearly a billion dollars in the five years. This leaves only about $11 billion of the increase in demand deposits to be credited to the broad group of wage-earners, professional people, etc. Some of this is certainly hot money, but a large part is definitely in the class of legitimate savings. In short, it is clear that only a relatively small part of the $38 billion increase in demand deposits is dangerous money in the inflationary sense.

The growth of time deposits in commercial banks is probably to be explained mostly by the word "diversification." We have found in our surveys that many people want to spread their savings among different forms. They feel that they have done their duty in the war bond program by investing more than 10% under payroll plans and by participating in the purchase of extra bonds in each war loan. In too many cases, our goals have thus become "psychological ceilings" to many people, which have been difficult to penetrate. In any event, savings over and above the amounts invested in bonds are spread around partly into currency, partly into demand deposits, and partly into time deposits. On the other hand, some part of the funds placed in time deposits is just as hot as some of the currency or demand deposits. The psychology varies with each depositor.

I have not here cited separately the figures for increases in deposits in savings banks as opposed to commercial banks, because savings banks have been treated as part of the composite group of nonbank investors in the figures I have given you, and it would be double counting to take up their deposits on the one hand and also to include their purchases of Government securities with other nonbank purchases on the other hand. For your information, however, deposits in savings banks increased by close to $4 billion over the five-year period; the purchases of Government securities made by savings banks as they invested these funds are included in the figures previously mentioned for nonbank absorption of Federal securities.

Thus the inflationary dollars involved in the $68 billion of money savings made over the five-year period represents a fairly small proportion of the total. Some part of each of the categories of money savings is definitely hot money, but it is my opinion that in each case the largest part of the funds placed in cash forms represents legitimate savings. In short, I believe that in absorbing $121 billion out of $190 billion of new funds, we came pretty close to shooting par. On the other hand, no one in the Treasury would argue that the job has been perfect. Moreover, we well realize that even Government securities are not completely foolproof in preventing inflation, since bonds can be redeemed or they can be sold in the market.

The Future Outlook

What of the future? First of all, we have arranged the debt so that each investor class holds securities which are appropriate to it. Over 60% of the securities held by the commercial banks are due or callable in less than five years. On the other hand, insurance companies hold only about 10% of their portfolios in the form of securities due or callable within five years, and 90% in longer categories. Individuals largely hold Series E, F and G savings bonds, which they may either cash when the need arises or continue to hold at an ascending rate of interest. About half of the holdings of individuals is in the form of Series E bonds, a security designed exclusively for the average small investor.

Corporations other than banks and insurance companies hold close to one-third of their Government securities in the form of savings notes—a highly flexible instrument which may be turned in on taxes, redeemed for cash or held for investment at increasing rates of interest. The bulk of the remainder of corporation holdings is in the form of short-term securities, largely certificates of indebtedness.

This "tailoring" of securities to the needs of the investor is a healthy thing for the economy.

For example, corporations have readily available funds to use for plant expansion as well as for reconversion purposes. Individuals are in a position to draw on their bonds to aid them in periods of unemployment and to assist them in purchasing new supplies of consumers' goods as they become available. Most of all, however, the existence of a flexible portfolio of bonds in the hands of individuals will add to their sense of security and thereby aid them as a group in taking off of the markets the volume of production which they, as workers, produce.

Our public debt will soon be more than $270 billion, and it is clear that the annual interest charge in the next few years is going to run in excess of $5 billion. The average rate of interest on the debt today is 1.94%, and our net borrowing during the war has been done at an average rate of around 1.8%. Contrast this with World War I, when the average interest rate was about 4¼%. We have lightened the future burden of the debt considerably by our low interest rate policy. Indeed, if rates had averaged 4¼% in this war, the interest burden would be about $12 billion a year instead of something over $5 billion.

Effect of Low Interest Rates

But low interest rates are not only beneficial in so far as the burden of the debt is concerned. Secretary Vinson has stated the advantages of a low interest rate policy for the entire economy, as follows:

> "Interest rates determine the real burden of the debt. They should continue low for a long time to come. It is self-evident that this is in the interest of people as taxpayers. Not as evident, but just as valid, is that low interest rates—what the economists call a 'cheap money policy'—benefits the people as consumers, as workers, and as citizens. Low interest rates, for example, will be an important factor in making possible the better homes, the better industrial plants, and the better public facilities which will make our country tomorrow more productive and a better place to live in than it was yesterday."

All of the things I have been saying boil down to the simple statement that the war has been well financed and that, as we enter what I hope will be a long period of peace, our banking institutions, business in general, and individuals are in a healthier financial condition than ever before.

I hope that conditions will be so good in the next several years that we will have a surplus in the Treasury and will be able to retire debt continuously. If that proves possible, so much the better; if not, we have done the best we could to prepare for the problems facing us.

In closing, I want to say that the work done by the volunteer war bond organizations throughout the nation has been a source of stimulation to all of us in the Treasury. In a sense, we have been merely planners and strategists; the real generals and the army itself have consisted of the local war finance organizations and their six million volunteers. I think it is a tribute to American democracy that this program has in essence represented a sum total of many, many smaller programs. We have had special campaigns carried out by virtually every group in this country. Many of these overlapped, but far from weakening the results the overlapping proved beneficial for it meant that there was an intensification of sales efforts. I am sure that bond sales were stimulated by the fact that many a man has been asked to buy bonds by his children as a result of a school

Municipal News and Notes

The municipal bond dealer who makes it a practice to look to the Government bond market as a possible indicator of the future trend of municipals, cannot fail to be impressed with the marked strength and spectacular performance displayed by the former in recent weeks. The extent of this virility and buoyancy has been carefully portrayed by the conductor of this publication's regular feature, "Our Reporter on Governments."

According to this source, much of the Government bond market's impressive performance is based on the feeling of investors and dealers that the currently low interest curve maintained by Treasury authorities is destined to undergo a downward revision in the case of future Federal borrowings. That such a view has substantial adherents appears to be amply reflected in the almost uninterrupted advance of all types of Treasury issues to new all-time highs.

Under the circumstances, it is only natural for the dealer in municipals to ponder the developing situation in the light of its possible effect on his own market. This would appear to be justified, moreover, even admitting that the Government market of today, because of its unusual character, is no longer an unqualified barometer of the general course of money rates, etc.

This to the contrary, it cannot be denied that the trend of Government credit conditions necessarily must have an important bearing on the course of other types of investments, whether of public or private origin. Indeed, this would seem to be of particular significance insofar as State and municipal bonds are concerned, because of the unique position they hold with respect to tax exemption.

This feature is being rapidly eliminated with respect to Governments, a fact that serves to enhance its value insofar as local government obligations are concerned. Incidentally, while the value of such tax exemption may be expected to decline in direct proportion to the lowering of Federal taxes, all evidence suggests that it will continue to be of far greater value than was true in the past, with the exception of recent war years.

In any event, the recent strength in the Government bond market and the accompanying strong rumors of an impending cut in interest rates on future financing undoubtedly has been a factor in the comparable strong pricewise tone of the municipal market. Evidence of this is reflected in the increasingly aggressive competition among dealers for new issues and the resultant attractive terms obtained by borrowers.

This point has been noted in these dispatches in recent weeks and constitutes one of the most important indexes of the widely-held confidence among dealers in the existing price level. Moreover, the latter is now rather close to the figures that obtained prior to the weakness in evidence prior to V-J Day, which brought in its wake a decline of large proportions.

In connection with the above comments, it must also be noted that some investors either do not share the optimism of dealers as to the future level of prices or are unable, due to other considerations, to take an active buying role. This view is based on the fact that, while new flotations have continued relatively light, the supply of bonds in the hands of dealers remains quite substantial. It may be that the attention of portfolio managers is being largely focused on the movements of the Government bond market, including active participation in the securities being offered via the current Victory Loan financing.

Whatever the explanation, the fact is that the municipal bond market continues in a somewhat somnambulent state, with trading in particular being especially dormant. This condition has been underscored by the absence of any inspiring volume of new business, which, in the last analysis, usually provides the basis for the market's activity.

Incidentally, it is difficult to assess the part that the diminutive supply factor has played in the upsurge of the price level in recent weeks. It is true, however, that the sharp recession that developed subsequent to V-J Day was largely occasioned by the widespread belief that a veritable flood of new borrowings would immediately ensue. This, it was concluded, would result in a dissipation of the scarcity factor, which was a potent force in pushing the price level to the record all-time highs reached earlier this year. Another consideration, of course, was the feeling that with the war at an end, the value of the municipal tax-exempt feature would materially diminish in consequence of the expected precipitate slash in Federal taxes.

As already indicated, neither of these forecasts has come to pass as yet, although a fairly sharp cut has been made in taxes. However, the reduction has not been of sufficient degree to cause any material lessening in the value of the tax-exempts vs. taxables, although the prospect is that additional cuts will be made in the near future. This to the contrary, it is evident that the burden will still continue at high levels, thus giving the tax-exempt feature a continuing important value.

With respect to the volume of new issue borrowings, the indications are that no marked improvement is likely to develop until sometime next year. At this writing, for example, the list of proposed awards includes only a few offerings of material size, with the largest consisting of the $15,000,000 State of California item for which auction bids will be considered on Dec. 11.

Prior to that event, the market is scheduled to receive $622,000 Hendersonville, N. C., bonds on Nov. 27; $4,000,000 Dallas, Texas, bonds on Nov. 28; $850,000 Lake Worth, Fla., on Nov. 29; $700,000 St. Petersburg, Fla., on Dec. 4, and $2,900,000 by State of Louisiana on Dec. 18. The final large transaction now in prospect is the $2,840,000 Richmond, Va., loan, for which bids will be opened on Dec. 19. There is always the possibility, of course, that the present list will be greatly broadened on short notice. In this connection, mention may be made of the dispatch with which the City of Baltimore, Md., elected to undertake its recent $13,050,000 bond award.

We have in mind, too, the considerable number of large bond issues that were approved by the voters at the recent general elections. As is generally understood, there is a huge backlog of municipal financing awaiting the market, a great portion of which seems destined to develop in the coming year.

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program, by a neighbor as a result of a community program, by a payroll worker at the plant, through a call from a banker or broker, and by a volunteer in one of the other programs. It has been a tough job, but all of us should feel a deep sense of satisfaction in the success which has been achieved.

Tomorrow's Markets Walter Whyte Says —

By WALTER WHYTE

Minor dip in last few days touched off close stops and brought new issues into list. Some hesitation indicated with new strength to follow.

There is little point in arguing with a market that seems evidently determined to go higher. That technical conditions point to still higher prices is also a factor to consider. Under ordinary conditions the penetration of one average followed by similar penetration of another a few months apart is not bullish. In the old days such action would have been suspect, assuming, of course, that it was possible for any person, or group, to manipulate such a thing as an average. But today a confirmation by averages, even though months apart, sets off a set of conditions that cannot be disregarded.

* * *

The major condition is inflation; whether or not it takes hold is something else. To most people inflation is something mystical. Yet it is here, if prices, outside of the stock market, are any yardstick. So far as the stock market is concerned, inflation has only begun. Where it will go and how it will end is anybody's guess. The market itself doesn't give any clue. Long ago, William Peter Hamilton, the disciple of the Dow theory, said that the averages ". . . have a virtue not shared by many of the minor prophets. The averages are not talking all the time."

* * *

Up to the time of the industrial penetration, thereby confirming the previous rail move, the market hemmed and hawed, giving rise to all sorts of opinions. It wasn't until the industrials actually went through, two weeks ago, that the market actually began talking. It said prices are going higher by stating that the bull market was still on.

* * *

For the market to start pointing to lower prices in terms of the Dow theory, it would have to decline to a point lower than the previous resistance level. On subsequent rallies it would have to show inability to make new highs and further declines would carry them still lower than previous lows. Unfortunately such action is seldom of value to the average market follower. For one thing, it comes too late to be of much practical use, and for another, it is frequently so confused that by the time the actual confirmation of a bear market is had the losses already are considerable. For that reason, among others, the successful market operator has to develop a sense of timing that will anticipate Dow theory signals if he is to stay in business.

* * *

Selection is as vital as timing. It is at this point that stops have their value. In a thing goes up. At least that bull market practically any- is the theory. Actually, there are plenty of stocks which do little on the up-side but gain momentum on the down-side as the market declines. Obviously such stocks should be discarded at the first opportunity. One way is to get out of them on strength, the other way is to limit their declines by stops. Sometimes these stops are taken and the stock turns around and goes up again. But that is a chance one has to take. On sharp breaks stops are useless. No sooner are they broken than they become market orders. Where they shine is during strong markets. It is then that an issue which cannot maintain itself and shows a weakness in relation to the market should be sold.

* * *

The practical application of stops was demonstrated last week. Readers had, among others, two stocks, A. M. Byers at 19 with a stop at 21, and Paramount at 30½, stop at 43. During the week both broke their respective stops by fractions. Total gross profit in both is 14½ points. On the other hand, Allied Mills, bought at 34½, touched its stop price of 33, but bounced up. Western Union also came into the list when it sold down to about 51¼ (buy point was 51½-52½—stop 50). Lockheed didn't get in. Still too high; price makes it inadvisable to buy unless it declines to 31½-32½. So we'll sit with what we have and wait for further developments.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Assessing Officers Consider Realty Market Conditions

A six point description of current real estate market conditions of interest to state and local assessing officers has been issued by the National Association of Assessing Officers.

According to the Association, the most important problem faced by assessors during the present reconversion period is the degree of adjustment which assessors must make in real estate assessments because of prevailing and prospective market conditions. The points of the statement are as follows:

1. There has been a substantial general increase in real estate values during the war period.
2. Such increase varies materially among the different states of the nation, among different sections of any particular state, and among classes of property within a particular assessment jurisdiction.
3. In general the type of property where increases have been greatest have been in residential units, especially among medium and low priced groups.
4. In most recent sales of small residential properties there usually has been included an amount that might be called "premium for immediate occupancy," or "bonus for shelter," which should not be considered as reflection of the value of the property.
5. Increases in value which may be traced to increases in the cost of labor or material are likely to remain, as there are no prospects that labor or material costs will decline in the near future.
6. Assessing officers who believe that assessments in their jurisdiction should be increased should not exceed as an upper limit the reproduction cost new, even where this is substantially below the price at which the property recently sold.

With Paul & Davis & Co.

CLEVELAND, O.—**Clarence W. Whitwell** has become associated with **Paul H. Davis & Co.**, Union Commerce Building. Mr. Whitwell was formerly with L. M. Greany & Co., Wm. J. Mericka & Co. and Cunningham & Co.

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Responsibilities for Post-War Financing

(Continued from page 2459)

the protection of wartime savings is potentially of most vital interest in the whole scheme of our national life. In essence, they go to the very heart of the system of free enterprise and the democratic form of government which have heretofore characterized the development of this great country. It is not my intention to deliver a long and tiresome review of all the activities of your Association this past year, as this will be fully covered in the reports of the various committees, so I should like to take this opportunity to speak briefly of some of the problems facing us in the post-war period.

Responsibility of Investment Banker

Let us consider the responsibility of the investment banker. Post-war prosperity and economic freedom to a large extent will depend upon our ability to adequately provide for the necessary capital for financing of sound business enterprises. We should not look to commercial loans or Federal grants to provide permanent capital. The source of funds for permanent capital, risk capital, and equity monies falls mainly upon the individual investor. The funds available are more than adequate to provide for the needs of business, provided it is directed in the proper direction. We have lately heard much about venture capital and the financing of small business. The free flow of venture capital is essential for the creation of jobs. This is of prime importance when we consider that more than 90% of all manufacturing concerns have assets of less than one million dollars apiece, and of all labor engaged in manufacturing more than 60% works in plants employing less than 500 men.

This is one of the major problems of the post-war period and will be discussed at this convention by those qualified to do so. It seems to me, however, that in considering these subjects, we must not be unmindful of the changing conditions and principles with respect to the investment of funds. The laws of some of our States concerning investment of trust funds have been recently amended to place responsibility on trustees under what is known as the "Prudent Man Rule." This is also true with respect to the statutes governing the investment within certain limitations of deposits in savings banks. My own State of Connecticut recently made it possible through the enactment of legislation for life insurance companies to invest their funds to an amount not to exceed 5% of admitted assets in securities not otherwise qualified. I am not advocating that funds of life insurance companies, trust accounts or savings bank deposits should in any way be used to furnish venture capital in order to preserve our society of free enterprise. I only mention this to emphasize the trends with respect to investment of funds. It has been suggested that a certain portion of the funds of an investment trust, say not to exceed 5% of its total assets, might be used for the purpose of furnishing venture capital to legitimate business. This, it would seem to me, is most worthy of consideration. There will be a greater demand for capital funds under peacetime conditions than ever before experienced in the history of this country. It is the responsibility of the investment field to find ways and means to provide adequate capital for business ventures. I am sure that investment bankers will fulfill their responsibility to the utmost, provided they are not shackled by undue restrictions and regulations governing the public distribution of securities.

Responsibility of Securities Commissioners

Let us turn the tables and consider the responsibility of the Securities Commissioner. Some of our State laws were enacted many years ago and need to be modernized to meet present day conditions. Several days ago, I received a communication which stated, in part: "For some time now we've been picking up isolated bits of information about the difficulties which are encountered in various States when attempts are made to sell stock in new enterprises, even though the stock prospectus has been wholeheartedly approved by the Federal Securities and Exchange Commission and even though the companies and underwriters involved have made it perfectly clear in the prospectuses that the stock is speculative in nature. Apparently the blue-sky laws in some States and the State Commissioners' attitudes in other States make it almost impossible to sell stock in new enterprises." A study of this statement clearly indicates that the author is wholly unaware of the underlying principles of the various State blue-sky laws. I am sure that no State Commissioner refused to qualify a sound business venture merely because the applicant is a new enterprise. The securities laws are administered by able, conscientious, and efficient men, and the fault, if there be any, is due to the law, which, in some cases practically places upon the shoulders of the administrator the responsibility of passing upon the merits of the securities as an investment.

The Federal Securities Act of 1933 is commonly referred to as the "Truth in Securities Act." This act was adopted with the following preamble: "To provide full and fair disclosure of the character of securities sold in interstate and foreign commerce and through the mails, and to prevent fraud in the sale thereof, and for other purposes." The late President Roosevelt, in his message to Congress requesting the act, included the words "with the least possible interference to honest business." The statute itself rests entirely on the theory of full and fair disclosure with adequate means for the prosecution of fraudulent practices. It would seem to me that we would do well at this time to consider amendments to our State laws along the lines of the principles as contained in the Federal Act of 1933 so as to provide for the principle of full and fair disclosure with respect to the securities offered and, in addition thereto, provide for every possible means to effectively control the detection and punishment of fraud and dishonesty involving securities transactions.

Interstate Securities Business

A major part of the investment business as conducted today is transacted by dealers doing business in more than one state. It has been said that such dealers have been inconvenienced to a considerable extent because of the lack of uniformity in the requirements of the various State Commissioners with respect to different dates for filing various papers in connection with state licenses, bonds, and financial statements. A recent survey of our state laws shows a complete lack of uniformity with respect to the licensing and registration of brokers and dealers. It was found that 18 states provided for the licensing of dealers for the period from January 1 to December 31; for the period from July 1 to June 30, 6; one year from the date of issuance, 8; 7 various expiration dates; 3 continuing registration with no expiration date, subject only to cancellation for cause; and 6 states with no licensing or registration provisions. It was also found that many states do not even require the filing of financial statements.

It would seem to me that our state procedure could be greatly simplified by providing for the continuous registration of brokers, dealers, and salesmen, subject, of course, to the payment of the yearly licensing fee and compliance with the provisions of the act. Where a dealer is a member of a registered stock exchange, the date of the yearly audit should correspond with the requirement of the exchange. We should not place dealers under the burdensome expense of having several audits a year. This, I am sure, would greatly facilitate the work of our own departments and be of valuable assistance to the industry as a whole. We should make it as easy as possible, within reasonable bounds, for brokers and dealers that operate in more than one state to comply with our requirements.

The Question of Minimum Capital

The post-war period will undoubtedly see a return to the investment business of many former dealers and salesmen, some of whom may have had difficulty under our laws. We should welcome the return of reputable and honest individuals who possess the necessary qualifications to render needed and valuable assistance to the investor. We must use every means at our command to prevent an influx of nefarious operators who seek to take advantage of the increased savings and accumulations in the hands of inexperienced investors. This condition presents a challenge to all of us. If a man wants to enter the grocery business, he is risking his own capital. In the securities business he not only risks his own capital but he has control over other people's money and securities. Just because a person may have $10,000 capital, with no investment experience, but may be absolutely honest, he should not be allowed to go into the securities business as a principal. We can also do much for the public protection to see to it that only those are permitted to act as brokers and dealers who have the necessary qualifications as to character, honesty, and experience, with good and sufficient capital resources to carry on the business. The early part of this year, I appointed a committee headed by Hon. Edward J. Samp of Wisconsin to study the matter of adequate capital for brokerage concerns, and I am sure that he will present to this Convention a most constructive report.

The National Association of Securities Dealers is to be commended upon its recent action in amending its by-laws to provide that member firms of the Association may employ as traders, salesmen, and solicitors of investment advisory and investment management business only persons registered with the Association, and that these employees will be subject to the rules of fair practice of the Association. This should do much to keep out of the business the undesirable element. It is urged that each State Commissioner cooperate in every way possible with the NASD in carrying out this program. By doing so, we will render a worthy public service.

Protection of War Savings

The protection of war-time savings is of paramount importance to all of us. A new group of swindlers may be counted on to take every advantage of their opportunities and may be expected to employ new techniques in addition to the most successful ones used for many years. America was not security minded until after the First World War when several billions of Liberty Bonds were in the hands of the public. These funds, made available through fraud and misrepresentation, resulted in an era of stock speculation and stock swindling, which caused the enactment of most of our state laws regulating the securities industry. The magnitude of our present job as compared to conditions after the First World War is shown by the huge amount of money that is around. There is twenty-eight billion dollars in circulation against less than five billion in 1929, plus the one hundred and forty billion dollars in savings accounts and War Bonds. The potential investors built up by War Bond sales is more than ninety million people, holders of the E Bonds, against only twenty-six million Liberty Bond buyers in World War One. An excellent weapon, in addition to criminal prosecution of offenders, against the type of fraudulent promoters in this field is an effective public educational program. The Education and Publicity Committee of our Association, headed by Hon. Harold Johnson of Nebraska, has done an outstanding job during the year in providing us with material for this purpose. This program should be intensified and broadened in every way possible.

Freedom of Action in Investment Field

The free enterprise system as known in this country cannot exist without the free flow of investment funds into industry. There will not be this free flow of capital without freedom of action in the investment field, subject only to sound regulation without the imposition of dictatorial concepts over and beyond that which is necessary to afford public protection against fraud and dishonesty and the assurance of full and fair disclosure of all material facts. If we fail in our responsibility to fully carry out the foregoing principles, it will mean the end of our free enterprise system, that is, business and industry privately owned and privately operated, and you know what that means—state socialism. There must be a coordination of the work of the Federal and State Securities Departments, as well as cooperation. Both must work in close harmony with the industry, united for a common cause—the protection of public investment funds. We, as securities administrators, as well as the investment field, must be alert, informed, forward-looking, hard-working, gracious leaders, with the perspective of the historian, the insight of the economist, the skill of the diplomat, the faith of the prophet, and the iron of the soldier. We must daily achieve the impossible. We have, all of us, a great public responsibility. Let us seek wisdom, patience, and courage, but above all things let us work together with a mutual understanding of each other's problems.

We can no longer look forward to the post-war period. It is here. We are in it. Victory is ours. The guns are silenced, the bomb-bay doors are closed, our ships ride quietly in the waters of the seven seas, there is peace in America and throughout the world. Peace is a precious word. Let us never forget how precious it is. Let it be the watchword of our every thought and action in the days to come. President Truman has said "Nearly every international agreement has in it the element of compromise. . . . No one nation can expect to get everything that it wants. It is a question of give and take, or being willing to meet your neighbor half way." The words of our President state in very simple and understandable terms the formula of peace and good will in any relationship, international or national. The relationship between the securities industry and the securities commissioners, the relationship between states, the relationship between employer and employee, family relationships, or individual relationships, it is a question of give and take. Let us each resolve to carry out in our daily lives this principle of "give and take." Then we will all know we are doing our part in maintaining the American way of life and peace for all time.

Stock Exch. Firms Reelect W. Cabell

Wymond Cabell, senior partner of Branch, Cabell & Company, Richmond, Va., was reelected President of the Association of Stock Exchange Firms for his second term at the annual meeting of the Association. Mr. Cabell is also a member of the Board of Governors of the New York Stock Exchange.

Governors of the Association elected are as follows:

To Serve Three Years: James F. Burns, Jr., Harris, Upham & Co., New York; F. Dewey Everett, Hornblower & Weeks, New York; Walter W. Stokes, Jr., Stokes, Hoyt & Co., New York; Joseph M. Scribner, Singer Deane & Scribner, Pittsburgh; C. Newbold Taylor, W. H. Newbold's Son & Co., Philadelphia.

To Fill Vacancies: George R. Kantzler, E. F. Hutton & Co., New York; and Thomas F. Lennon, Delafield & Delafield, New York.

Reelected to Serve Three Years: Ranald H. Macdonald, Dominick & Dominick, New York; Winthrop H. Smith, Merrill Lynch, Pierce, Fenner & Beane, New York; Richard P. Dunn, Auchincloss, Parker & Redpath, Washington, D. C.; John Witter, Dean Witter & Co., San Francisco; and Laurence P. Smith, Crouse, Bennett, Smith & Co., Detroit.

The Board of Governors was increased from 30 to 33 members and the following were elected to fill the newly created positions: M. A. Willem, Beer & Co., New Orleans (three years); James E. Hogle, J. A. Hogle & Co., Salt Lake City (two years); and F. E. Bosson, Putnam & Co., Hartford (one year).

The 1946 Nominating Committee elected consists of: Roy E. Bard Shearson, Hammill & Co., Chicago; John L. Clark, Abbott, Proctor & Paine, New York; Allan H. Crary, E. F. Hutton & Co., Los Angeles; Henry Harris, Harris, Upham & Co., New York; and Edgar Scott, Montgomery, Scott & Co., Philadelphia.

Winthrop H. Smith, Merrill Lynch, Pierce, Fenner & Beane, New York, and George E. Barnes, Wayne Hummer & Company, Chicago, were elected First and Second Vice-Presidents, respectively, and Gilbert Burdett, Laidlaw & Company, New York, was elected Treasurer.

Max Jacquin, Jr., Sidney L. Parry and William W. Peake were reappointed Special Assistant to the President, Vice-President and Secretary, respectively.

J. I. Rohde Rejoins Lewis as Trading Mgr.

SEATTLE, WASH.—First Lieutenant John I. Rohde of the United States Army Air Corp, Ordnance Division, is returning as Manager of the Trading Department of John R. Lewis, Inc., 1006 Second Avenue, members of the Seattle Stock Exchange, after three and one-half years in the Service. Two years of his duty was spent in the European Theatre.

Thos. Comstock With R. W. Pressprich Co.

Thomas B. Comstock, formerly a director of Cole, Hoisington & Co., has become associated with R. W. Pressprich & Co., 68 William Street, New York City, members of the New York Stock Exchange, as investment advisor. Prior to that time he was connected with Lionel D. Edie & Co. as account manager.

"Financing Small Business"

(Continued from page 2459)

the issue of new capital securities. A few figures will serve to demonstrate the close correlation between a large volume of capital issues and high levels of employment. Recently I have seen some very careful estimates as to the size of the increment which will have to be added to the productive capital of the nation if we are to achieve the desired national income level of $140 to $150 billions. These estimates show that to attain such a volume of national production the business establishments of this country will require between $15 and $20 billions of additional working capital and somewhere between $50 and $60 billions of added investment in plants and equipment. Adding these figures together we reach a grand total of from $60 to $80 billions of needed capital investment. I cannot pause to describe the method by which these estimates were reached; I can only assure you they were arrived at by scientific and conservative analysis.

Sources of New Capital

Suppose we assume that the total additional business capital required will be only $60 billions. It appears conservative also to assume that this total investment will have to be attained during not more than a four to five year period if employment is to be sustained. Under normal pre-war conditions, it would have been correct to assume that between 50 and 60% of total business investments could be derived from the ploughed back earnings of business itself. With present and prospective tax burdens on business, however, no such percentage of business savings to total investment seems possible. Nor, indeed, is there a chance, under the most favorable conditions, that any such large percentage of the very large total required could be attained within such a short period as four to five years.

About the most we can assume is that not more than one-third of the total of $60 billions will come from business savings. Of the remaining $40 billions which must come from sources outside of business itself, it appears safe to believe that about one-half will come from private sources and that one-half, or a total of $20 billions, will take the form of publicly offered security flotations. Twenty billions over a period of four to five years means an annual average of $4 to $5 billions of new capital issues. Such a volume of new capital issues offered to the public would be five to six times greater than the average annual rate for the period of 1935-1939, and at least 50% greater than the previous record rate which prevailed during the period 1925-1929.

Future Refunding and Foreign Loans

In addition to a record volume of new capital issues for business, we are certain to witness a continued large volume of refunding issues and a greatly expanded flow of new issues by the states and municipalities of the nation. On top of all this, we are likely to see the revival of foreign financing in the United States on a large scale.

The net result of this development will be put to an unprecedented strain on all our machinery for originating, distributing and supervising capital securities, and the price of failure to have this machinery in perfect working order will be the imposition of a serious obstacle to the attainment of prosperity and employment.

We have today a volume of savings awaiting investment in the hands of the American people far beyond anything in our previous history. We can also look forward with confidence to a record demand on the part of business and of government subdivisions to put these savings to work. Our combined task is to be sure that we make the flow of savings into investments as smooth and efficient as possible. If we allow unnecessary impediments to check this flow, the effect will be not only to reduce prosperity and total employment but also to provide a positive stimulus to inflation. If the dammed-up savings of the nation cannot find a proper outlet in new capital investments they are certain to bring about an inflationary rise in the prices of outstanding securities. Moreover, if businesses needing additional capital cannot make proper contact with savings they are certain to put tremendous pressure on the commercial banks to meet their capital needs. The net result of distorting the legitimate uses of commercial bank credit into capital investment will be bank credit inflation, which was one of the basic causes of the boom and collapse in 1929.

A Strain on Investment Banking

The investment banking fraternity must prepare itself to carry this load. Today our business, as a result of twelve years of depression and almost four years of war, finds itself dangerously undermanned. Since 1929 very few young men have entered investment banking and large numbers have fallen by the wayside. As a result, our organizations are now badly depleted in numbers and the average age of our remaining personnel is much too high. We face a serious task of recruiting new and vigorous blood into our industry, but we are hopeful that our needs can be met from the cream of the nation's youth now returning from the war. With the business restored to a state of vigorous activity, I am sure we shall be able to secure and train the necessary personnel for the job that lies ahead, although the task of overcoming quickly a gap of fifteen years will not be easy.

On the other hand, those charged with responsibility of supervising and regulating the flotation of security issues must accept the responsibility of making certain that the regulatory machinery is modernized and streamlined as much as possible. Never, in my honest opinion, has there been such an urgent need for greater simplification of procedures and more uniformity of regulations. I urge that you give this problem your most earnest consideration, not from the standpoint of making the life of investment bankers more tolerable, but because of the vital importance of this problem for the future welfare of our economy.

Problem of Small Business Financing

The title of my address is the "Financing of Small Business," but so far I have said nothing directly germane to this subject. I have done this deliberately because of my desire to emphasize the fact that the problems of business financing, both large and small, are very much the same, except for those businesses whose financial requirements are too small to permit them to use the established machinery for public distribution. The main difference is one of degree, and it seems correct to state that the smaller the financial requirements of a business the more serious are likely to be the obstacles in meeting the requirements for qualifying its securities for public sale. The large corporations, with their command of legal talent and financial resources, can usually surmount all such difficulties much more easily than the smaller companies.

With almost 50% of the total business employment of the country provided by establishments employing less than 100 workers each, it is obvious that proper access to capital for small business is a matter of vital importance for sustained prosperity and employment.

Providing capital for the small businesses which have financial needs of less than $100,000 presents a special set of problems because, except in rare instances, the investment banking machinery is not geared up to handle security issues in such small amounts. This particular field has been the subject of investigation by The Committee on Small Business of the Investment Bankers Association. Last spring our committee published a report in which some specific recommendations were made. Since copies of this report have been made available to all of you I shall not risk boring you by repeating this story in detail. Suffice it to say that our plan calls for the creation of a decentralized system of investment companies supervised by the local Federal Reserve banks and aided by Federal Reserve credit.

The basic problem with which we had to cope was one of finding ways and means of making adequate financing charges to cover the very risky character of practically all such business, and yet of providing assurance to the issuers that they are not being overcharged. I am sure that our recommended solution of this problem will be of interest to you in case you have not seen it. I have available here some copies of our report for those of you who wish to see it.

My concern today is rather with security issues ranging in amounts from $100,000 to $1,000,000 which for all practicable purposes can also be classified as those of small business. It is issues of this general size which usually must go to the public and for which security regulations are likely to be a matter of serious concern.

As I understand it, the securities acts of our nation, both federal and state, have had as their basic purpose the protection of investors from fraud. With this purpose every right-minded citizen must be in complete sympathy. It is for this reason that I am not one of those who believes that the way to solve the problem of small business financing is a progressive raising of the exemption from registration requirements. It seems to me quite clear that the risk of fraud is considerably greater in the case of small security issues than it is in the case of large issues. The great corporations are forced to live in the pitiless spotlight of publicity and have much less chance of getting away with fraudulent statements than smaller, less well-known companies, even if they chose to do so. To propose, therefore, as a solution of the difficulty a mere raising of the exemption level is to duck the issue rather than to solve it, and to bring about a weakening of the whole structure created for protection of the public.

Streamlining of Regulations

Instead, I am sure that the correct solution is to be found in a simplification and streamlining of securities regulations which should be applicable equally to security issues of all sizes which are offered to the public. It seems to me that this objective can be accomplished if we cling to the one basic idea of protecting investors from fraud.

In recent years there has been a definite tendency on the part of our regulatory bodies, both at the federal and state levels, to move beyond the field of fraud protection and to assume on behalf of the investor the right of judgment as to kind and type of security which he shall be permitted to purchase. I can only assure you that this tendency, if continued, is certain to result in a stifling of the flow of savings into investments which will be badly needed for sustained employment in this country.

As an example of what I mean, I wish to cite the recent decision of several state commissions to look with disfavor upon the use of stock purchase warrants as a method of compensating underwriters. Now there can be no doubt that stock warrants have been subject to abuse in the past. It is also true that countless individuals have died from overeating, but I have yet to learn of a doctor prescribing the abandonment of all food as a cure for this difficulty.

The plain fact of the matter is that stock warrants, properly used, provide one of the most economical and mutually attractive ways of financing small businesses ever devised. We must never forget that practically all small business financing is essentially risk financing, and that no intelligent underwriter will undertake such risks unless he has at least a chance to earn a profit commensurate with the risk taken. Stock warrants give the underwriter a chance to earn such a profit only if the company grows and prospers. In this event, the company can easily afford to pay this profit. If the company does not prosper the underwriter will not make a profit on his warrants, and the company will have suffered no cash loss by the use of this device. In other words, it is a method by which the underwriter assumes some of the risks of the business as compensation for the risks he has undertaken.

If you choose to prohibit the use of stock warrants as compensation to underwriters I can assure you the inevitable result will be a widening of the cash underwriting spreads for many small growth companies at a time when they can least afford such cash outlays. It will have the further effect of stifling security offerings by many such companies who will be unwilling to face the increased cash costs. I should like to assure you further that the effect of such prohibition will be much more serious on small business financing than it will on the financing of large, well-established companies.

In conclusion, I should like to express the hope that we can face our common problems in a spirit of mutual understanding. If we can accomplish this, I am sure that you will be able to fulfill your responsibilities of protecting the public interest while we shall be able to fulfill ours of assuring an adequate flow of capital to sustain prosperity and employment.

E. D. Howard II Mgr. Of Schoellkopf Dept.

BUFFALO, N. Y.—Schoellkopf, Hutton & Pomeroy, Inc., 70 Niagara Street, announces that Lt. Commander E. D. Howard II, USCGR, has become associated with them as manager of their trading department.

Mr. Howard was recently released from active duty in the Coast Guard Reserve after four years active sea duty, during which time he served as commanding officer on a destroyer escort and a coast guard cutter. From 1933 to the outbreak of World War II, Mr. Howard was head of his own investment firm of E. D. Howard & Co., Inc., of Buffalo.

New Fagan Partnership

The present partnership of Fagan & Co. will be dissolved on November 30th and a new partnership will be formed consisting of Albert E. Fagan, member of the New York Stock Exchange, Charles J. Hyman, general partners, and Bessie Sherman, limited partner. The firm is located at 41 Broad Street, New York City.

Broker-Dealer Personnel Items

NEW YORK, N. Y.—**John Germann**, formerly with R. M. Horner & Co., is now associated with **Amott, Baker & Co., Inc.**, 150 Broadway.

(Special to The Financial Chronicle)

ATLANTA, GA.—**William Cabell Hopkins** has rejoined the staff of **Courts & Co.**, 11 Marietta St., N. W., after serving in the armed forces.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Frederick L. Fish** has rejoined the staff of **Chas A. Day & Co., Inc.**, Washington at Court Street, after four years service in the U. S. Army.

(Special to The Financial Chronicle)

BRIDGEPORT, CONN.—**Raymond W. Smith** is now affiliated with **Gaynor, Clemence & Co.**, 137 John Street. Mr. Smith has recently been serving in the U. S. Navy. Prior thereto he was Chas. W. Scranton & Co. for many years.

(Special to The Financial Chronicle)

INDIANAPOLIS, IND.—**Russell D. Priest** has rejoined **City Securities Corporation**, Circle Tower, after serving in the U. S. Army.

(Special to The Financial Chronicle)

KANSAS CITY, MO.—**Lyle F. Brownell** and **Roger B. Coleman** have become connected with **Herrick, Waddell & Company, Inc.**, 1012 Baltimore Avenue.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Alfred F. Ingold** is with **Buckley Brothers**, 530 West Sixth St.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Warren N. Kilborn** has been added to the staff of **Conrad, Bruce & Co.**, 530 West Sixth St.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Arnold A. Fransioli** is connected with **Carter H. Corbrey & Co.**, 650 South Spring St.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Laurence Casselman III, Lionel B. LeBel**, and **Harry E. Meacham** have joined the staff of **Nelson Douglass & Co.**, 510 South Spring St.

(Special to The Financial Chronicle)

PORTLAND, MAINE—**C. Everett Page, Jr.** has been added to the staff of **Bond & Goodwin, Inc.**, 120 Exchange Street.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**William H. Taussig** has rejoined **I. M. Simon & Company**, 315 North Fourth Street, after serving with the U. S. Navy.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**Harold J. Kauble** and **Ivan D. Teter** are with **Slayton & Company, Inc.**, 111 North Fourth Street.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**Walter E. Felter** has rejoined **Taussig, Day & Company, Inc.**, 506 Olive Street, after serving in the U. S. Army.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**Lawrence G. Miller** has rejoined **G. H. Walker & Company**, 503 Locust Street, after serving with the U. S. Army Air Forces.

(Special to The Financial Chronicle)

ST. PETERSBURG, FLA.—**Harry C. Holt** has joined the staff of the **Ranson-Davidson Co.**, Florida National Bank Building.

The Stock Broker, the Public—and Regulation

(Continued from page 2460)

ing an open and liquid market where business can obtain long term loans, or new capital, where the investor can satisfy his requirements and where the speculator can furnish the necessary risk captial so vital in the maintenance of a free enterprise system.

Before I discuss the public and regulation at greater length, I want to tell you a little more about us—not necessarily as an organization, but as individuals. We are the Customer's Men and Bond Salesmen of yesterday. Our formal title is now REGISTERED REPRESENTATIVES. Our Chicago group is called STOCK BROKERS' ASSOCIATES. The New York group calls itself CUSTOMERS' BROKERS. I think the term Customer's Men is still the most descriptive. When I use this term I refer to all the Registered Representatives who deal either largely or partly in speculative securities, chiefly Common Stocks, listed or unlisted. It is the risk-bearing segment of the market that we are most concerned with. Most of us have been in the business now for a long, long time. The average experience in our office, which I believe is more or less typical, is well over 20 years. Probably fully half have had college training. The men who have survived the pitiless pressure in the years of the long depression, in eliminating the unfit have **had** to understand our business, and what it is all about. The test of survival has been the ability to serve, even the minimum needs of the public, faithfully and intelligently—the only way to get and keep the confidence and faith of your customer.

The Customer's Man

One of the things our organization prides itself on, is our constant effort to keep the Customer's Man's I. Q. at its highest where it concerns our business. A few years ago the New York Stock Exchange inaugurated "entrance exams," so to speak, before they would qualify new men as Registered Representatives. Men of previous experience were exempt. Our organization conducted a series of lectures and held classes on these very examinations. After all, we wanted to see what we were supposed to know. I think you gentlemen would be surprised at the scope of these examinations. They cover matters of corporation finance, accounting and law; in addition to the endless detailed knowledge necessary in the proper handling of an order, requiring an exact knowledge of the mechanical operation of our business.

In addition to educational background, probably the greatest asset a Customer's Man can have is experience. This may sound trite, but it is particularly applicable to our profession. An understanding of Stock Market history obtained only from living through that history is probably just as important as the ability to analyze securities from a straight statistical viewpoint. Stocks do not live in a vacuum by themselves. They live and have their being and value as part of a general market picture. That is why I stress background and experience as so important in qualifying a man to best serve the public's investment needs.

In addition to **market** experience, the Customer's Man must have experience with the public. He must have a knowledge and understanding of the public's temperament. He must have a knowledge of public psychology. He must understand the human characteristics which vary so widely among different groups and different individuals. He often feels like the man who, when he read the College Ad for a course in "ACCOUNTING FOR WOMEN" wrote them and said "Don't you know there **is no** accounting for women." Well it may not be quite that bad—to say there is no accounting for the Public, but certainly it requires a long period of training and experience to know and understand the public and how to satisfy its needs and desires. This is, of course, true in every field of endeavor where the public is concerned, but probably more true where it is a question of money. You know what they say—the closest thing to a man's heart is his pocketbook.

Who Is "Wall Street"?

In considering the public's relation to our business there is too often the notion of Wall Street vs. the Public and we hear much about the mysterious group "they." There is some vague idea on the part of the public at large that "they" run everything. "They" are supposedly the small select group sitting around the highly polished mahogany table amidst luxurious surroundings in some secluded Wall Street office and "they" make all the decisions which determine which stocks go up and which go down and which shall prosper and which shall fail. You hear it every day. Well, what are "they" going to do to the market today? "They" are buying or "they" are selling. Well, let me tell you who "they" are. "They" **may** be sitting around a Director's table but they are sitting around thousands of Director's tables from Wall Street to Main Street, in every city and town where corporations exist and formulate their policies. "They" are also the **individual** business men, the professional men, the managers, the laborers, the storekeepers, in fact, anyone and everyone with money to invest and seeking such investment in the securities markets. True, large syndicates may employ millions of dollars in the securities market, but, and this may be difficult to believe, although undoubtedly true, the many millions of investors with their few thousands of dollars up to 100 or 200 thousand dollars employed in securities investments wield a combined financial power over the course and trend of security prices far greater than all the Wall Street groups put together. This mysterious all powerful "they" is the American Public and "they" are the real power behind the financial throne—which is as it should be.

Understanding the Public

This all powerful American public is a rather heterogeneous lot. There are many groups and types with different needs, viewpoints and temperaments. Their problems vary from the careful conservative treatment necessary for the "widows and orphans" group to the restraining influence we must often exercise over the more reckless type of frankly speculative but inexperienced trader. In between there is the vast bulk of professional and business men seeking both income and capital appreciation through the careful use of surplus funds in the securities markets.

An understanding of the problems of each group is necessary. Only with such an understanding can we perform what I believe is one of our most important functions and that is to determine just how much risk a customer can afford and can by temperament carry, and just how such risk is inherent in the securities which he may own or may be considering for purchase. I do not mean the ability to forecast price trends. I mean the ability to understand and gauge the risk. And **only** an experienced and capable Customer's Man is equipped by training and background to serve best the American Public in handling its securities problems. The banker can't do it. The attorney can't do it.

I have tried in this brief and possibly somewhat elementary survey to give you a general idea of how the relationship of the broker and the public develops and the factors entering into this relationship. We now come to the third and final topic of my discussion, namely, Regulation.

The Scope of Regulation

The principle of regulation of human activity is recognized in all forms of organized society. Regulation is necessary to maintain order, public safety and health. The alternative to such regulation is chaos. The regulation of markets may, I suppose, be classified under the maintenance of order or public safety, but is probably best placed in the general welfare category. Now, "general Welfare" is a dangerously broad term and the regulation of markets covers a broad territory. We must constantly guard against regulating ourselves out of the fundamental rights, in a free enterprise capitalistic system, to own, buy or sell property without restraint in the normal course of business practice.

It is generally agreed, I believe, that the Securities and Exchange Act has been interpreted and enforced by the SEC with a high degree of understanding as to the functions and problems of the securities markets. I believe it not to presumptuous to say that no industry ever had any higher standard of ethics or stricter self-regulation, either before or since Federal regulations came upon the scene, than the stock brokerage industry. The strictness of the self-regulation in our own business is second to none. We do business in a goldfish bowl. We are accountable for every order received and every transaction that takes place. And practically all our business is done by word of mouth with no written instructions or long, drawn out and expensive contracts, despite the huge sums of money often involved.

All regulations that apply to our business—Federal, State and self-regulation, has the same worth-while objective—protection of the public and, I cannot make this next statement too strong, the best protection the public can have is an Intelligent Customer's Man. The relationship of faith, trust and confidence which must exist between broker and customer places all formal legalistic rules, laws and regulations in the background. A capable, conscientious Customer's Man has the trust and confidence of his clientele. They will seek his opinions and advice and will seldom, for instance, wade thru a 50-page prospectus to judge the merit of a new security offering. The broker serves his own interests when he serves his customer's interest and they both know it. We cannot, like the physician, bury our mistakes. They often live on year after year to plague us.

State Regulation and the S.E.C. have done a marvelous job in eliminating that parasitic, illigitimate poacher on our business—the bucket shop. However, in every boom period its counterpart crops up in one form or another. It is pretty near due for a revival now. Let us all be on guard and on the lookout. Let me asure you, gentlemen, that the most effective means of squelching the shady dealer in securities, often the modern counterpart of the old-fashioned bucket shop, or the peddler of fake stocks, in one guise or another, is to work more closely with those of us who are among the first to hear of such goings on. Our customers are sooner or later approached. The method and line is easily recognized by those of us who have seen it before. Ordinarily we just warn our customers away. Let me cite a recent example.

Some time ago I received a number of telephone calls from customers inquiring about a certain Canadian oil stock which had suddenly become very active in the Unlisted Market. I checked with our Statistical Department both in Chicago and New York and found no information of any kind available. The stock had moved up from about 25¢ a share and was at that time selling around 95¢. In the absence of any information I warned my customers to stay away from the stock. During the height of the activity and interest in the stock I received a telephone call from a party entirely unknown to me who said, "I understand that you are interested in such-and-such an Oil Company." I asked where he got the information and he answered "From one of your customers." But he would not tell me the name and then he asked me to attend a meeting where I could learn all about this company. He said that he had just returned from their properties and had made an extensive investigation and study of the company. I said, "If you know so much about the company possibly you could give me some information on the telephone" and I asked "How many shares does the company have outstanding?"" He said, "I don't have that information available." I then asked, "How many producing wells does the company have and what has been the company's approximate recent production?" He said, "I don't have that information available."

This merely confirmed my original suspicion. The stock is now selling under 10¢ per share.

In a case like this the pitiless glare of publicity—an S.E.C. statement of the cold facts, for instance, could easily spoil this little racket.

This type of public fleecing is difficult to control thru regulation. Where is the public's best protection? It is not in the law or the regulation. It is in the Intelligent Customer's Man.

Cooperation Better Than Legal Trappings

I believe that an understanding cooperation between Federal and State Commissions and **all** the important segments of our industry working to gether towards a common objective can accomplish more than all the legal trappings ever concocted.

Let us not be like the motorist who, when he wrecked his car by running into a lamp post, explained to the officer "there are so many safety stickers on my windshield I can't see where I'm going." Let us understand where we are going and let us not obstruct our own path in getting there.

We believe in AMERICAN UNLIMITED, a constantly expanding higher standard of living for all. Such an economy is a changing one and a changing economy is one involving the ever present risks of change. Risks require men with courage, foresight and capital who are willing to speculate on these risks. The right and opportunity to speculate is a foundation stone in the building of a financially strong nation where really safe and sound investments can be developed. Let us all dedicate ourselves to this constructive and worthwhile task.

Lapham, Philips Partner

Gerald G. Bernheimer has been admitted to partnership in Lapham, Philips & Co., 40 Exchange Place, New York City. Harry Lapham is senior partner in the firm, Charles Philips and S. Sherman Philips having retired.

Mr. Bernheimer was previously a principal of D. F. Bernheimer & Co.

F. J. VandeWater Resumes Inv. Business With Amott, Baker Co.

Frank J. VandeWater, who for four years has been associated with the Bank of Millbrook, is resigning his position as Assistant Cashier to return to the investment securities field in which he was active for many years.

Mr. VandeWater first entered banking through association with the Guaranty Trust Company of New York City. Subsequently, he became engaged in the investment business and in 1933 joined the investment banking firm of Amott, Baker & Co. He now returns to the investment securities business and gain joins Amott, Baker & Co. as their Hudson Valley representative.

Among other activities, Mr. VandeWater is on the governing board of the Poughkeepsie Chapter of the American Institute of Banking, is a member of the finance committee of Dutchess County Council of Boy Scouts, and is Village Clerk of the Village of Millbrook. He plans to retain his residence in Millbrook and will conduct his business from this point.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of Robert G. Johnson to Anthony J. Bailey will be considered by the Exchange on November 29th.

The name of Samuel S. Goldberg, partner in Sutro Bros. & Co., was changed to Samuel S. Grant, effective November 13th, 1945.

Benjamin Dibblee Dead

Benjamin H. Dibblee, former San Francisco investment banker, was found dead in a blind at the Joyce Island Duck Club near Fairfield, Calif. He had apparently been stricken with a heart attack while he was hunting from the blind.

Mr. Dibblee was graduated from Harvard University in 1899. Later he joined E. H. Rollins & Sons, Inc., opening their San Francisco office. He was Vice-President and member of the Executive Committee of the firm when he retired in the late 1920's. He was a former State Chairman of the Investment Bankers Association and served on the governing board of the national organization.

New Claybaugh Partnership

Partners of Blair F. Claybaugh & Co., 72 Wall Street, New York City, are Blair F. Claybaugh and Robert L. Free, general partners. Mr. Claybaugh, a member of the Philadelphia Stock Exchange, has recently been on war duty. Mr. Free makes his headquarters in the firm's Harrisburg, Pa., office.

Buckley Brothers New York Office in Larger Quarters

Buckley Brothers, members of the New York, Philadelphia, and Los Angeles Stock Exchanges, announce the removal of their New York office to 44 Wall Street. The telephone number remains the same.

With Johnson in Maine

(Special to The Financial Chronicle)

PORTLAND, ME.—**George C. Weeks** has become affiliated with **R. H. Johnson & Co.**

Proposals on Collective Bargaining

(Continued from page 2464)

accepted or compromised if either party acting in good faith concludes that acceptance or compromise be improper or prejudicial to the interest of the employer, employees, the union, or the public.

The object of collective bargaining is voluntary agreement. Temperateness of approach will aid in the attainment of this objective.

There is a duty on the parties to bargain sincerely in good faith and to discuss freely and fully their respective claims, demands and refusals.

Good faith means regard for relevant facts and intent that agreement reached shall be observed.

The voluntary and just settlement in collective bargaining of issues in dispute is impossible under conditions of force regardless of its source or nature. Voluntary negotiations or free collective bargaining is not possible except under conditions of law and order and the absence of force. Management and Labor are but a part of the general public. The public has the right to insist that Management and Labor at all times practice collective bargaining with full regard for protection of individuals and property against unlawful acts.

Industrial disputes can be minimized by full and genuine acceptance by both parties of collective bargaining as above described in every instance where workers freely choose to organize to bargain collectively on questions of wages, hours and working conditions.

The Committee on Collective Bargaining is charged also with consideration of the extent to which industrial disputes can be minimized by provisions incorporated in collective bargaining agreements by:

"Adherence by both parties to a policy of responsibility for living up to the letter and spirit of all collective bargaining agreements and effective measures to carry it out."

Collective bargaining agreements should be reduced to writing and signed by the parties. The agreements constitute the terms and conditions which govern the wages, hours and working conditions of employees included in the appropriate unit, and which must be observed by the management forces and employees and their representatives for the period of the contract, and extensions thereof.

A profound understanding of mutual rights and obligations of both parties under the agreement is essential to the successful administration of a collective bargaining agreement. It is the responsibility of labor unions and employers to educate their members and representatives as to the terms and conditions of the agreement and the respective rights and duties of the parties under the agreement. Appropriate methods should be employed to assure that the full content of agreements be made known or available to the members of the union and employer groups.

It is of fundamental importance that contract commitments made be observed without qualification by employers, employees and labor organizations. Both parties to agreement must impress upon their associates and members and officers the need for careful observance of both the letter and the spirit of collective bargaining agreements. Employers, employees and unions should not provoke one another into any action in violation of the labor agreement.

In order to provide effective measures to carry out the letter and spirit of the labor agreement, it is recommended that each agreement or contract provide for appropriate guarantees, such as the posting by each party of performance bonds to guarantee complete and effective compliance with provisions of the agreement prohibiting strikes, lockouts or boycots.

For years, in the public interest, legislation and governmental regulations have controlled the activities and defined the responsibilities appropriately defined to assure equality of status before the law.

Both employers and labor organization should be equally amenable to the Nat'l Labor Relations Act and other laws. Equity requires that both parties to a labor agreement be equally answerable as entities in judicial proceedings for conduct in violation of contracts or legal requirements.

The Committee is likewise charged with consideration of the extent to which industrial disputes can be minimized by:

"Consideration of action needed by unions to control their members for conduct in violation of agreement and action needed by Management to control their officials and supervisory force who engage in violation of an agreement."

The customary provisions incorporated in collective bargaining agreements which permit Management to discipline any employees (including officials of the union who are employees) subject to their right to appeal through the grievance machinery of the agreement for any violation of its provisions are desirable and necessary for the proper administration of the agreement and the efficient conduct of the enterprise.

It is necessary and desirable for labor unions and officials thereof to make clear to their members that these rights of Management will be respected and supported in all cases where the facts justify the action. Management and unions must require that their respective officials refrain from encouraging or engaging in contract violation. The parties must establish and enforce such regulations as may be necessary within their respective jurisdictions to insure absolute, unqualified adherence to the contract commitment made.

Labor's Report

The proposed report of labor representatives on the Committee on Collective Bargaining has not yet been made public, but is understood to be as follows:

Industrial disputes have been and will continue to be minimized by full and genuine acceptance by Labor and Management of collective bargaining in every instance where workers choose to organize to bargain collectively on questions of wage, hours and working conditions.

Collective bargaining imposes upon the parties a serious duty to bargain in sincerity and genuine good faith on all matters covering wages, hours and working conditions. Collective bargaining requires that the parties involved deal with each other with an open and fair mind and with a conscientious and sincere endeavor to understand each others' problems and by agreement to stabilize employment relations and eliminate industrial disputes.

The perfunctory acceptance of collective bargaining or inflexible attitude in negotiations, or refusal to recognize self-evident facts does not establish the good faith necessary for collective bargaining. There must be common willingness among the parties to discuss freely and fully their respective claims, demands and refusals, and to justify their positions on reason. Full and genuine collective bargaining may result in honest disagreement.

Full and genuine acceptance of collective bargaining embraces a recognition of the first right of labor unions to function. Union security, protected by the collective bargaining agreement, strengthens the process of collective bargaining. Developing experience in collective bargaining, as above described, should encourage the parties by mutual consent to extend the subject matter of collective bargaining and to include in collective bargaining agreements those matters which they agree would be mutually advantageous.

Collective bargaining agreements should be reduced to writing and signed by the parties. The agreements constitute the terms and conditions which govern the wages, hours and working conditions of employees included in the appropriate unit, and which must be observed by the Management forces and employees and their representatives for the period of the contract.

A profound understanding of mutual rights and obligations of both parties thereunder are essential to the successful administration of a collective bargining agreement. It is the responsibility of labor unions and employers to educate their members and representatives as to the terms and conditions of the agreement and of the respective rights and duties of the parties under the agreement. Appropriate methods should be employed to assure that the full contents of the agreement should be made known or available to members of the union and the employer group.

It is of fundamental importance that contract commitments be observed without qualification by employers, employees and labor organizations. They must impress upon their associates and members and officers the need for careful observation of both the letter and the spirit of collective bargaining agreements. Employers, employees and unions should not provoke one another into any action in violation of such agreements.

The customary provisions incorporated in collective bargaining agreements which permit Management to discipline an employee, subject to his rights to appeal through the grievance machinery of the agreement, for any violations of the agreement itself, are desirable and necessary for the proper administration of the agreement.

Both parties have an obligation to take disciplinary action when their respective officials, members, or personnel engage in activities in violation of the collective bargaining agreements.

The collective bargaining agreement can be successfully administered only where both parties maintain their firm determination to respect their mutual rights and obligations. The maximum success of this endeavor depends primarily upon the self-imposed voluntary discipline of the parties to the agreement.

Bonus to Staff of Chemical Bank & Trust Co.

Percy H. Johnston, Chairman of the Chemical Bank & Trust Company of New York City, announces that the board of directors approved on Nov. 21 the payment on Dec. 10th, of a bonus on annual salaries to all officers and employees, amounting to 10% on the first $5,000, with an additional 7% on the next $5,000, and an additional 4% on all salaries above $10,000. The Chemical Bank has made a practice of paying a Christmas bonus since 1870.

Necessity for Foreign Investment

(Continued from page 2452)

levels reached in the years before the war. American exports will face new and greater obstacles in various foreign markets unless bold measures are taken soon to forestall or to minimize them.

It is not necessary to elaborate upon the extent to which governments directed economic activity during the war period. It was a problem of mobilizing the resources of the world for a single purpose, with little regard to normal trade processes. Direction was given by control over shipping space, import and export licenses, allocation and rationing machinery, exchange controls and the like. The mobilization job was done, and done well, not so much by the operation of economic forces as by the planning and direction of men working together in many countries towards a single objective. The interests of individual nations were virtually submerged in the common cause.

But now the war is over. The joint effort is finished. And many nations find themselves in a difficult economic condition. Their domestic economies are more or less disorganized. Their capital is severely depleted. They have few assets which can be used to buy raw materials or capital goods abroad. They are not able to produce in sufficient quantity for the home market, let alone for export trade. Their fiscal burdens are heavy and their currencies are insecure. Under these dire circumstances they have no choice but to continue or to increase the control of their economies by governments. They must conserve carefully their foreign exchange, allocating its use to items for which there is the greatest need. They must carefully control both imports and exports. They must seek to make trade arrangements where barter deals can be effected without disturbing their balance of payments. Under such circumstances, there is little service which the private trader can perform, and therefore government bulk buying is the result. Those of you who have an interest in foreign trade know all too well how little scope there is for private enterprise to function today in the international field.

This pattern of trade restriction and trade barriers is not the result of free choice by the various nations. It is no devilish plot to shut the United States out of world trade, nor even to pursue the same sort of economic nationalism which was evident in the prewar years. It is merely the result of compelling necessity. In the face of tremendous requirements and limited resources, a nation has no other course than that of rationing and allocation. And the international arrangements made by such nations tend of necessity to take the form of bilateral trading, clearing agreements, trade preferences, and special contractual arrangements. Few steps have been taken outside the United States toward the demobilization of the governmental forms into which international trade has been cast. In fact, there is a marked trend evident in many countries in the direction of consolidating and expanding the trade controls introduced in wartime. New bilateral arrangements are being rapidly negotiated by various European countries. New import-control plans have been announced by a number of Latin American governments. The British Government has asked for a five-year extension of war powers. And a number of countries are moving into the post-war period with higher duties on imports than they had in 1939.

Pattern of Trade Restrictions

The trend is not merely in the direction of the maintenance of individual national controls, but of the development of international economic blocs. Pairs of countries enter into exclusive arrangements. Groups of countries try so to balance their trade or payment arrangements as to allow free exchange transfers to member countries. Inevitably, the three great trading powers are driven to act as the focal point for such groups, so that there are in various stages of formation a ruble bloc, a sterling bloc, and possibly even a dollar bloc, with trade within each tending to be carefully controlled with a view to internal balance, and trade among them kept to a balance, which, of course, means that it will work towards a minimum.

From the point of view of the United States, this must be a matter of grave concern. Nor can many other countries view the prospect with other than alarm. These controls are designed to restrict or divert imports from their natural channels. In the various bilateral and bloc arrangements, they are intended to concentrate the exchange of goods within the framework of national plans and to reduce the dependence of participating countries on the outside world. In particular, they must strive to reduce their dependence upon countries like the United States, whose goods are in great demand but which import with considerable reluctance. The volume of world trade will certainly be greatly reduced as a result of these innumerable artificial barriers and obstacles, and the participation of the United States will be even more sharply limited. In such a world, the private traders of the United States will find themselves thwarted and ineffective, and our own Government will have to participate more and more in deals and other arrangements with foreign countries. And government operation in foreign trade is hardly the best way to encourage free enterprise at home. It will be a world in which the plans of different countries are bound to come into conflict, and there is every likelihood that individual nations will bring to bear against each other the whole gamut of economic and political pressures to achieve their economic objectives. And, finally, such a restricted world will find its economic recovery sadly retarded, and political instability and economic distress are all too closely related.

These are hard and unpleasant facts to face. They follow automatically from certain fundamental economic conditions in the world today. We alone can check the trend. We alone can break these rising barriers to international trade. But we can do it only by dealing with the basic cause—the lack of balance in so many countries between requirements and resources. This circumstance must dictate the shape which American economic foreign policy should take. On this basis, a program must be devised capable of arresting and turning the present dangerous trend toward governmental control and governmental participation in international trade in peacetime.

It is obvious that very little can be done in the short run to change the requirements which these countries have. But a great deal can be done to bring their resources for payment into line. Estimates place the foreign demand for American products in the next few years, if local currencies could be readily converted into dollar exchange, in the neighborhood of $14 billion per year, approximately the volume of exports achieved under Lend-Lease. By contrast, the present pattern of imports into the United States might reach $6 billion worth of

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Necessity for Foreign Investment

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foreign goods at high levels of employment. It should be evident that under such circumstances foreign governments could not permit private importers to scramble freely for available dollars but would find it necessary to reserve most if not all of the supply for imports having some form of priority. To the extent, however, that the United States increases its imports of foreign products and to the extent that foreign countries are able to obtain dollars on long-term credit, the need to maintain exchange and other controls will be reduced.

Role of Foreign Loans

The above estimates are not estimates of any ultimate relationship between exports and imports, but reflect in large measure postwar reconstruction requirements. This particular problem is clearly a matter of short-run lack of balance between import requirements and available exports in these war-disturbed areas. For the next several years, therefore, foreign loans may be regarded in large part as representing the provision of working capital for these countries as they get their economies back into productive condition. Such a program of lending would be futile if it were to pour dollars over or behind trade barriers. It must move hand in hand with a reversal of the trend. If the United States wishes to ask foreign countries to discard area preferences, abandon controls over trade, and return to the conduct of trade on principles reflecting the most economical allocation of resources, it must insure that a sufficient volume of long-term credit is made available to keep their balance of payments in line. Conversely, unless trade is freed of its shackles, many of these so-called loans will unquestionably prove to be defaults, rather than healthy extensions of credit.

Although I have characterized these loans as working capital, that may be somewhat misleading. Actually, a substantial part of the imbalance in the next several years is due to the necessity for these areas to obtain capital goods. There is a hard core of requirements for the urgent necessities of consumption which will tend to use up the presently available foreign exchange. To the extent that additional foreign purchasing power is made available to these countries, they will use it for reconstruction and development purposes. Of course, wise capital investment will lead to new productive industries or increased efficiencies. These in turn will give rise to exportable goods. If trade channels are open these goods can move, and will tend to generate their own supplies of foreign exchange for debt service.

The relationship between credit and trade barriers in the mind of the United States Government has already been indicated in Article VII of the Master Lend-Lease Agreement. In these agreements, the United States and other countries agreed to take action "directed to the expansion by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers." More recently, there have been exchanges of notes between this Government and a number of other governments more or less simultaneously with the making of arrangements for credit extensions in connection with winding up Lend-Lease, in which the governments have agreed mutually to refrain from any further raising of trade barriers, and to seek ways and means of reducing them.

The logic underlying this is very simple; namely, that with trade subject to a series of artificial barriers, there is no hope either that trade will expand or that service of loans will be facilitated. But in a world where barriers are reduced or eliminated, it is possible to foresee a marked expansion in trade, and the payment of debt service should be a much less difficult problem. Thus, it would be true that a small loan in a restricted world might be a poorer one from the security point of view than a larger loan with trade free to flow as economic forces might dictate. For this reason, discussion of financial policy and commercial policy must go on side by side with foreign countries.

It is, of course, very important, that the extension of credit must not in itself add seriously to the problems of international adjustments. The fundamental requirement for any creditor nation is that it must accept imports. It is obvious that we cannot argue for the reduction of tariffs and trade barriers on the part of other countries unless we are prepared to take similar steps ourselves. The impact of this problem upon our economy need not be great if the loans are for substantially long terms, and if we are prepared to continue to maintain our foreign investment position. In the absence of extraordinary political disturbances, there is no reason to suppose that American investors will wish to liquidate foreign investments yielding satisfactory annual returns. While individual loans would be repaid, or refunded, and while individual lenders must be given an opportunity to liquidate their holdings, a general reduction in total foreign investment by this country need not be contemplated. It is only necessary, therefore, for American imports to increase gradually to provide interest and dividend payments on an increasing stock of foreign investments. This may in fact be an inevitable process if some of our pessimistic prophets are right, who point out the tremendous drain on our natural resources caused by the war. They forecast impending shortages in many raw materials which we have never worried about before, and draw the conclusion that we will need to import in steadily increasing quantities.

Risk of Foreign Investments

However, I would not be frank if I did not point out that there is a real risk in undertaking a program of foreign investment. It is a risk which must be incurred if we wish to stimulate world recovery and free foreign trade from its restrictions. The risk is the risk of failure in achieving this objective. Nor must our expectations be too high. We cannot build a perfect world, but perhaps we can make it tolerable. The ground is being carefully laid to assure success if possible. The United States is taking the lead in developing with other nations a program of commercial policy directed at freeing trade from its hindrances. The International Monetary Fund is intended to prevent short-term capital movements and temporary imbalances in trade from affecting exchange rates. The International Bank for Reconstruction and Development will provide a means for marshalling the support of governments for extensive foreign investment of capital where it is most needed. American interests will be directly served by the Export-Import Bank.

However, once the present emergency is over and the proper environment has been created, the primary responsibility should fall on private investors for seeking out and financing productive opportunities abroad. Perhaps I have talked too much about government lending. However, the discussion has actually been most relevant to the problem of private lending. In a world of trade restrictions and exchange controls, private international financing cannot be expected to play a very large part. Once it is established that interference is permitted under the rules of the game, there are too many ways in which government policies and programs may interfere with the payment process. However, if international agreement can be reached, directed towards freeing the channels of trade, then private lending can take its proper place—and that should be a large place. Capital would be expected to flow from an area where it is plentiful, such as the United States, to other areas where it can be put to highly productive work. Undoubtedly, the return on new investment in the United States will be smaller than in many other countries, where capital has been destroyed or where capital has never been used in ways long familiar in the United States. Highways, railroad, telephone and telegraph facilities, power plants, and other less basic capital improvements are still greatly needed in wide areas of the world. The export of capital to replace lost facilities of proved merit and the introduction of ways of doing things long known to the more progressive countries offer a bright prospect for a profitable return on invested capital, provided the proper general environment can be established.

Foreign Loans Can Be Profitable

Let us ignore for a moment the generally unstable political and economic condition which has frequently characterized undeveloped countries and has constituted a real obstacle to the flow of American capital into otherwise attractive foreign investments. That is a risk usually reflected in the rate of return. In general, large capital exports from the United States will provide a means of increasing productivity in foreign countries. The United States will benefit from the process initially by the export of capital goods, and ultimately by increased trade with these economies. As the standard of living rises with the increased output per worker, he will become better able to buy American goods. American investors in turn have found a most profitable way to put their savings to work.

But we must put first things first. The world is far from this happy picture of the free flow of capital and of goods among nations. And private investment cannot be expected to take the initial risk. Private investors can make financial policy but they cannot make commercial policy. The initial task is one for the governments of the world, and that can only be done if this country takes the lead. At the moment, there are many governments who agree that economic barriers are an abomination, but they are helpless in the face of their economic requirements. The world cannot be changed by any grand gesture. It will require time and patience and ingenuity and wisdom. But the future is being made in the present. We are striving to draw the world together politically, and we must do the same thing economically. Political cooperation is difficult in a world of economic warfare. Full employment is difficult in a world where trade channels are blocked. We must place international economic relationships on a new basis. Our foreign loans can be investments in prosperity and peace.

Government Financing of Reconstruction and Foreign Trade

(Continued from page 2453)

". . . Economic collaboration cannot be dissociated from objectives which assume internal order and economic stability throughout a peace-loving world.

"Our ultimate goal must be economic peace. In striving for economic peace and security we need to accept the termination of hostilities as merely the signal for the final and concerted assault on the forces of disruption and disorder. One of the greatest dangers confronting the postwar world—especially those countries which will have suffered severe dislocations in trade—is that of mass unemployment. We carry a heavy responsibility in attacking this potential source of social unrest. We need not fear it. We must accept the challenge of plenty; an economy of scarcity or limited production cannot even be considered.

"We must envision full use of these facilities and full employment of our man-power. We must not repeat the mistake of Versailles, of stressing territorial and political adjustments, and making little provision for the basis of sound trade and economic reconstruction. Second only to the need for immediate relief to the released peoples of Europe, there will be the urgent need for the earliest possible resumption of maximum effective international trade. In the field of commercial policy, in particular, the adoption by the major nations and by the United States of common attitudes and common programs can set the standard and pattern to which most of the other countries will find it advantageous to adjust their economies and measures of trade control. In order to accomplish these things we must devise broad-gauged financial measures, and bold programs of investment for the rebuilding of ravaged areas and the development of the resources of less advanced regions. Within that larger framework most problems of immediate trade balances between particular pairs of nations will find satisfactory means of offset or adjustments."

We believe that current operations of the Export-Import Bank are definitely of the type which I have just described. However, even with its expanded lending authority the Bank must concentrate on the immediate essentials of reconstruction; until the fundamenals of economic life are restored it doesn't do much good to discuss vast new programs of development. Food, which means agriculture, comes first, clothing, which means raw cotton in many cases; heat and power, which mean coal and transportation in all forms, form the bulk of the immediate needs of Europe and Asia. Fortunately, we are in a position to supply most of these essentials in a reasonably short time. Likewise, the types of equipment desired are not being sought eagerly by our own people. For example, the average American wants a new automobile but he is not particularly interested in a new locomotive or a harbor tug.

As a result of these circumstances the direct impact of the current credit program on our own price and supply situation is moderate and in fact is acting as a stabilizing factor in the railroad equipment and water transportation equipment industries.

When transportation is restored and when private trade channels are again fully open the impact of foreign demand may be quite different, but by the same token our own reconversion and our own production and supply situation may also be materially different from what it is today. As each country rebuilds, it likewise attains the ability to furnish the needs of its neighbor, so the situation is constantly changing even if the overall picture appears to change very slowly.

The equipment, the raw materials and the credit which we are now supplying and which we alone can supply, can and, I believe, will have an effect far beyond any normal economic or statistical expectation. Likewise, if we do not continue these activities for an appreciable period, the extent of the deterioration and disintegration will be far greater than anything we have yet witnessed.

Naturally, the Export-Import Bank must take a great many factors into consideration before a loan contract is signed, but through its relationships to the Departments of Government so satisfactorily coordinated by the National Advisory Council, and by the representation of the Secretary of State on the Bank's board, the action of the Bank represents the collective judgment of our Government. Therefore the stability of the borrowing government, its commercial policy and many other matters are considered before a loan contract is actually signed. The borrowing nation usually has a number of equally important matters to discuss with us. I can assure you that there is nothing casual about these negotiations.

There are three provisions in our contracts which are troublesome. The provision which refers to American shipping obviously is objectionable to any maritime nation which is struggling to restore its trade and to husband its dollar resources. The Executive Committee for Foreign Economic Policy is reviewing this situation and we can hope for a satisfactory solution which will meet the difficult requirements of recognizing the legitimate interests of the borrowing nations and protecting our own essential position in ocean shipping.

The second provision which causes considerable discussion is one relating to furnishing information which permits our Government to be currently informed about all major factors relating to the economic and financial position of the borrowing nation. In fact, it is exactly the information which most Treasuries and Central Banks have exchanged for years and it is likewise the type of information which is required of all signatories of the Bretton Woods Agreements. When the Bretton Woods Agreements are operative we will, of course, waive this provision, but until then it is essential to have access to this information.

The third provision which requires some explanation relates to registration with the Securities Exchange Commission if we so request. The purpose is obvious. It is the policy of the Bank to sell the securities in its portfolio when the market will take them. Naturally, we don't know when that will be, but we do not wish to be limited to private sales if the market develops as we hope.

There is a related reason which is worth mentioning. After the last war we engaged in emergency financing not unlike some phases of our Government's current operations. For reasons which have never been clear, we neither converted these obligations into marketable form, nor did we use these securities when our own situation was deteriorating rapidly in 1929 and 1930. All of that seems like a long time ago; we can charge it off to international education, but it is well to point out that our position in 1919 was not unlike our position today and that 1929 was only ten years after 1919.

No one hopes more sincerely than I that private financing will be possible quickly, as you know the Export-Import Bank handles only business which cannot be handled by private sources. Naturally, we are in touch with the market; it is evidencing encouraging signs, but it is not ready as yet to handle the type or volume of credit which the urgency of the situation requires.

I would like to assure our friends in the investment banking community that in my opinion there will be more opportunities for constructive international financing offered than at any time in the history of the world. The emergency financing which the Export-Import Bank is handling merely makes the other financing possible. With equal conviction, I can assure you that the situation will not permit us to wait until the private market is ready.

There is perhaps one more question about our emergency financing which would be worth mentioning. How do we decide the priority of negotiations? The answer is that we cannot, and do not. As soon as a loan contract is agreed to by the borrowing government and cleared by the interested departments of our Government, we sign it and make it immediately operative. By the very nature of things, the situations which present the fewest complications can be handled more quickly than those involving very intricate interrelated problems. But the essential preliminary work on the more complicated problems goes on without interruption while the final form of another simpler agreement is being determined.

So much for the emergency or reconstruction aspects of our work. Foreign Trade is the other half of the subject which has been assigned to me. While all the emergency credits directly produce a movement of goods and services, no one can consider them as the normal manner of handling our international business.

What then is the normal method? Before attempting to answer that question it is necessary to explore a very important area for conjecture, which must have an important bearing on our approach to international trade.

How or under what system will trade and investment be handled? Here is certainly an area for controversy, but one which must be entered if we are to touch even the fringes of postwar possibilities. Roughly—and very roughly—it appears probable that all the nations in this hemisphere will continue to follow the individual enterprise, capital investment system, but with far greater emphasis on mixed capital industrial developments than in the recent past. This trend expresses not only the line of least resistance but also the definite economic policies stated at Rio and Mexico City, and reiterated many times since then. There is likewise every reason to believe that the British Commonwealths and what remains of the democratic capitalistic bloc of Europe, especially those nations with overseas possessions, will follow this system with one very marked difference. In the past, one rarely found private European or British capital joining with private American capital, and let us say, Burmese capital to develop a new industry in Burma. In my opinion, mixed enterprises of this character will be extremely important in the postwar development of industry and commerce in the English-speaking or democratic capitalistic areas. It is in this field that our investment bankers can be most effective.

On the other hand, there is no reason to expect that the U.S.S.R. will adopt this pattern. Direct equity investment in Russian industrial enterprise by foreign corporations or individuals is such a remote possibility that it can be discarded. Nevertheless, there are many ways in which greatly expanded trade with the U.S.S.R. can be conducted. Future deliveries of raw materials for current use or stockpiling offer extremely fruitful possibilities. This method of conducting international trade and finance is viewed with mixed emotions by certain groups in this country, but we might point out to them that while the U.S.S.R. approach is possibly unorthodox, it is nevertheless fundamentally sound, for the exchange of raw materials for producers' and consumers' goods has been going on in one form or another since the dawn of history.

This difference in method is indeed worth emphasizing because the areas ravaged by war, as they seek to reorganize their international trade and financial relations, and likewise the areas which, almost for the first time, are attempting to establish such relations will naturally be strongly influenced by the two major methods then in operation. For the sake of brevity, we can call those methods state trading, and private capital trading. One group of "going concerns" will be operating under the first method, another group under the second; the two groups will likewise be doing business with each other. It would appear likely that the areas without going systems—and there will be vast stretches of such areas, inhabited by many millions of people—will attempt to organize their own systems along lines which will offer the greatest immediate, as well as long range possibilities. The choice will not be made because the systems are necessarily competitive with each other; in fact, the thought can be advanced seriously that the systems are only competitive in terms of how to accomplish the most for the men and women who live and work under the two systems. There is actually no more reason for advocating uniform economic systems than for uniform language, uniform political systems, and uniform religion. Neveretheless, the inhabitants of an area whose system has been destroyed just as completely as its industrial plants and its means of transportation, will naturally seek a system which will offer the speediest solution to the most pressing problems.

The methods by which we have established markets for our goods are not the methods utilized by state trading. Our appeal to the individual taste—a taste which perhaps our merchants have created and stimulated—is not very effective when we can only discuss markets and prices with the representative of a government purchasing mission. Such markets, except for certain types of products, are too uncertain to justify the continued and sustained sales and service efforts which have so marked our recent development. We should certainly not ignore these more restricted markets; they should be developed to the maximum, just as we should utilize to the full the products which these nations can furnish us.

Nevertheless, it appears only logical that our business men and our trade will necessarily not follow the flag, but will certainly seek out the areas where our efforts and our investment can be the most productive and profitable. All other things being equal, these areas will be those which use approximately the same systems under which they are accustomed to operate.

It would appear to follow then than the performance of our private capital trading system and of our Government will have a marked effect on the character and type of other international trade and financial systems. In fact, our performance in the postwar period may set the pattern in vast areas of the world for a long time to come. For if the world finds peace and means to maintain it, economic changes should be less violent; they should be changes from within, not changes imposed by the violent aggression of an ambitious enemy from without the gates.

It seems very clear that the world as a whole will have to rely for at least a period on the industrial capacity of the United Nations and the transportation equipment of the United Nations, but the financial participation in the trade and industrial development of the entire world will be largely determined by our own activities, by our needs for raw materials, and for finished products, by our desires for services which we can purchase from the citizens of other nations and by the manner and amount of our investment in the development of other countries.

The answer to the last of these questions presents the greatest difficulties, but likewise offers the greatest opportunities. Our private capital trading system must meet this challenge if it hopes to serve the developments of the future.

I believe that it must be obvious to all of us, as it is obvious to the citizens of the other United Nations, that the character and volume of world trade will be more influenced by our national policies and activities than by any other single set of factors. If we pursue vigorous constructive trade policies, the course of world trade activity will be vigorous and constructive; if we drift, the course of world trade will be faltering and makeshift; and if we should toss aside the opportunity which will again be offered us, we would fully deserve the domestic chaos and depression which would surely follow such stupidity.

I shall make one final assumption, and this assumption amounts to a conviction, namely, that this nation eagerly and vigorously wishes to carry out the responsibilities and to develop the opportunities for peaceful leadership which are presented by our great part in the victory of the United Nations.

If we determine that this will be our course, and I am sure that we shall do so, we must organize to make such a program effective. There is little possibility of fulfillment if we just let nature take its course. We didn't win the war that way and we won't develop peaceful leadership in peace that way.

Finland Seeks Ten-Year Loan

(Continued from page 2453)

of Supply, and, as secretary of the mission, Mr. Smedslund.

Says Finland Good Credit Risk

"Finland is a good credit risk for the amount and character of the loan it is seeking here," Mr. Tuomioja told the writer. Pointing to the fact that Finland had serviced its war debt to the United States Treasury throughout the recent conflict as well as to the fact that in London Finnish securities are now selling at above parity, the Finnish banker expressed confidence in Finland's economic ability to "come back" rather quickly, with American help, notwithstanding the heavy reparations which must be paid to the USSR.

Although it is obvious that an American loan made to a country while that country is paying reparations is equivalent to assistance in the payment of the reparations, Mr. Tuomioja said: "There is no connection between the loan and reparations. If we can get a credit here we cannot by that means finance reparations. With the credit we have to import foodstuffs, raw materials for our industries, chemicals, fuel, coke, etc. These we will use in our industries other than those used for the reparations to the USSR.

"As for our economic situation, a pre-essential to economic stability is political stability internally and externally. This we have achieved, and our relations with Russia have improved happily. Marshal Stalin says he wants us to be Russia's good neighbor. As you may know, while the total amount of the reparations Finland must pay remains at the original figure of $300,000,000—and it is denominated in United States dollars—the period of payment, originally fixed at five years, has been prolonged by two years. The agreement is that we pay Russia specified commodities and other things to the just-mentioned total, the goods being valued at something above 1938 prices. As the world price level currently rises, admittedly the reparations burden on Finland tends to increase, but so too do values in other sectors of our economy.

"The reparations started September 19, 1944. During the first year we paid $50,000,000. With the prolongation of the payment period to seven years, the remaining $250,000,000 have to be paid only at the rate of $35,000,000 a year, valued at 1938 prices. After allowing for the increase in prices since 1938 in the articles involved in the Russian reparations agreement, the $35,000,000 becomes something less than $50,000,000,—say, $47,500,000 today. Now how can we pay this?

Counts on Export Surplus

"To pay the reparations and at the same time restore our productive capacity to its maximum potential at the earliest possible date will take substantial outside assistance," Mr. Tuomioja continued. "Just now our economy is in a vicious circle. Our present exporting capacity is about $250,000,000, as compared with $170,000,000 before the war. Partly this improvement is merely the reflection of a 40-50% increase in the prices of the things we sell. For example, Britain is today paying us for pulp 100% more than it paid us before the war. Secondly, there has been an actual increase in our productive capacity during the war.

"When we get what we need from the outside world we can rapidly get our production to its full stride. We cannot do it overnight, but we figure we can do it in two years. From the $250,000,000 of possible exports, we shall need to pay for essential imports—and "essential" does not include luxuries, such as we imported before the war—leaving according to our estimates a surplus of $80,000,000. That amount can be applied to the reparations to Russia and to the repayment of borrowings such as we are now seeking.

"To restore our productive capacity as rapidly as feasible will take $65,000,000 in 1946 and $45,000,000 in 1947. We are not looking for a long-term loan. One of ten years will be enough. However, during the first two years while we are building up our economy we shall not be in a position to amortize a loan. After two years we can begin to do so, on a graduated scale, speeding up when reparations end.

"If we have a surplus of about $80,000,000 and use for current reparations payments, at *current* prices, about $50,000,000 during these six years, there will be left $30,000,000 or a bit more to service the loan and for other purposes."

Once Paid Off Whole Debt

"As proof that we can handle a $110,000,000 loan," said Mr. Tuomioja, "is the fact that during the 1930s Finland paid off its whole foreign debt of $200,000,000, incurred during the 1920s in the United States, United Kingdom and Sweden. This was done in spite of very great investment by Finns within Finland. In the 1930s we enjoyed a very high standard of living and made many luxury imports.

"Finland's war-debt payments to the United States have always been paid as per agreement. While Finland was at war with the USSR and with the UK, it was never at war with the United States.

"As an example of the leverage a foreign loan would give us, $20 worth of imported coal would enable us to produce $150 of woodpulp. Another case: Just before I left Finland the Arabia concern, the greatest chinaware manufacturer in all Europe, asked me as head of the central bank to make available to it 150,000 Swedish kroner to buy raw materials in that country. Out of these materials Arabia could make goods with an export value of 750,000 Swedish kroner. But I was unable to accede to the request because the Bank could not spare that much foreign exchange. So, once we get the wheels running, it will be comparatively easy for us to fulfill our obligations. The $110,000,000 would be enough for us.

"Of course, there would be a temptation to try to improve our standard of living, but as long as we have reparations and a foreign debt, we cannot do that."

Has Bilateral Agreements

Mr. Tuomioja stated that Finland at present has bilateral trade agreements with the United Kingdom, Denmark, Norway, and Belgium. Of course, there is also an agreement with the USSR, from which Finland will get some sorely needed coal. Since many United Kingdom trade agreements fix a rate of exchange for the two currencies involved, Mr. Tuomioja was asked about Finland's attitude on this and related points. He replied: "Where foreign trade is on a compensation basis, the rate of exchange is unimportant. Finland has been seeking to establish for the finnmark a rate that can be sustained. Before last June the rate was 49.35 finnmarks per U.S. dollar. In view of the inflation that had occurred during the war, the Government changed the rate in June to 86.30 per dollar. This proved to be unrealistic. After I came to the Bank of Finland in late July we changed the rate to 120.80 per dollar. We were not able to calculate exactly a rate we could maintain, and in mid-October changed it again to 123.00 per dollar. This rate we should have no trouble at all in maintaining if we get the loan from the United States.

"With the inflation in Finland there has been a decline in worker efficiency, due to lack of enough food to give the people the requisite strength. There is little or nothing to buy with the money. The best way to build up efficiency is to bring more goods into the country. Currently rations are at 1,200 calories for light work and 1,700 for heavy work, or about half of the normal requirement. Among several radical measures taken to combat inflation in Finland is an agreement between employers and employes to freeze wages and prices. Also, the State budget will achieve a balance in early 1946. There are plans to call in outstanding currency notes and replace them with others. Doubtless considerable amounts of old notes have been taken out of the country by the Germans.

"Finland will be anxious to join the Bretton Woods Fund and Bank as well as other international bodies. Finland has very little gold, only about $3,000,000, and that is all in the United States. The negotiations for unfreezing Finland's assets here are going very well.

"Confidence of the Finnish people in their currency does not depend on the gold or silver the

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Calendar of New Security Flotations

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

WEDNESDAY, NOV. 28

PACIFIC TELEPHONE & TELEGRAPH CO. on Nov. 9 filed a registration statement for $75,000,000 40-year 2¾% debentures due Dec. 1, 1985.

Underwriting—The names will be furnished by amendment. The company proposes to offer the bonds for sale at competitive bidding and will receive bids at Room 2315, 195 Broadway, New York, before 11:30 a.m. on Dec. 10, 1945.

BUFFALO NIAGARA ELECTRIC CORP. has filed a registration statement for $56,929,000 first mortgage bonds due Nov. 1, 1975. The interest rate will be fixed by the successful bidder and filed by amendment.

Address—Electric Building, 535 Washington Street, Buffalo, N. Y.

Business—Public utility. A subsidiary of Niagara Hudson Power Corp.

Offering—The price to the public will be filed by amendment.

Proceeds—The net proceeds, with other funds of the company, will be applied to the redemption of $56,929,000 principal amount of outstanding bonds which, with premiums, will entail $60,338,115.

Underwriters—The bonds will be sold at competitive bidding, and the names of underwriters will be filed by amendment.

Registration Statement No. 2-5997. Form S-1. (11-9-45).

SIOUX CITY GAS & ELECTRIC CO. has filed a registration statement for $8,000,000 first mortgage and collateral trust bonds series due 1975; 38,000 shares of cumulative preferred stock, par $100, and 153,006 shares of common stock, par $12.50. The interest and dividend rate on preferred will be filed by amendment.

Address—515 Fifth Street, Sioux City, Iowa.

Business—Public utility.

Offering—The prices to the public will be filed by amendment. The securities will be offered for sale under the competitive bidding rule of the Securities and Exchange Commission. The offering of common stock includes 34,068 shares which are outstanding and owned by Iowa Public Service Co., controlled by Sioux City.

Proceeds—The proceeds will be used to redeem outstanding bonds and old preferred stock, etc.

Underwriters—The names will be filed by amendment.

Registration Statement No. 2-5998. Form S-1. (11-9-45).

THE PANTASOTE CO. has filed a registration statement for 100,000 shares of common stock, par $1. The shares are issued and outstanding and are being sold by certain stockholders.

Address—26 Jefferson Street, Passaic, N. J.

Business—Manufacture and sale of artificial leather.

Offering—The price to the public is $5.75 per share.

Proceeds—The proceeds go to the selling stockholders.

Underwriters—Van Alstyne, Noel & Co., heads the underwriting group.

Registration Statement No. 2-5999. Form S-2. (11-9-45).

SATURDAY, DEC. 1

MANUFACTURERS CREDIT CORP. has filed a registration statement for 40,000 shares 6% preferred stock, $25 par, and 40,000 shares of common stock, $1 par, and 40,000 common stock purchase warrants and 40,000 shares of common reserved for issuance upon exercise of warrants.

Address—1737 H Street, N. W., Washington D. C.

Business—The company was incorporated under the laws of the State of Maryland on June 28, 1945, and intends generally to engage in the business of commercial financing, and to specialize in the financing of responsible manufacturers, distributors, etc., through the purchase of their open accounts, notes and trade acceptances receivable, or through the making of time-payment loans adequately secured.

Offering—The offering price to the public will be $30 per unit, a unit consisting of one share of preferred and one share of common stock.

Proceeds—The net proceeds estimated at $1,040,000 will be added to the general funds of the company. The company has agreed that for each unit sold by an underwriter it will issue to the underwriter a common stock purchase warrant entitling the holder to purchase at or before 3 p.m. Dec. 31, 1950, one share of common stock at the price of $1 per share.

Underwriters—Walter F. Tellier, doing business under the firm name of Tellier & Co., New York, is named principal underwriter.

Registration Statement No. 2-600. Form S-12. (11-13-45).

CABOT YELLOWKNIFE GOLD MINES, LTD., has filed a registration statement for 1,000,000 shares of common stock, par $1.

Address—9 Toronto Street, Toronto, Can.

Business—Mining.

Offering—The price to the public is 30 cents per share.

Proceeds—The net proceeds will be available for exploration and development work.

Underwriters—John William Langs is named principal underwriter.

Registration Statement No. 2-6001. Form S-11. (11-13-45).

MONDAY, DEC. 3

MAINE PUBLIC SERVICE CO has filed a registration statement for $2,200,000 first mortgage and collateral trust bonds due Oct. 1, 1975. The interest rate will be filed by amendment.

Address—144 East State Street, Presque Isle, Maine.

Business—Public utility.

Offering—The price to the public will be filed by amendment.

Proceeds—The sale of the $2,200,000 of bonds is part of a general plan of refinancing of the company and its subsidiary, under which the subsidiary will simultaneously sell to a financial institution, at private sale, $600,000 principal amount of Canadian dollar bonds designated as its first mortgage bonds, 3¾% series due 1975. The plan involves, in addition, the retirement by Maine Public Service of all its outstanding bonds and the payment by the subsidiary of its present indebtedness to the parent company.

Underwriters—The bonds are to be offered for sale at competitive bidding and the names of the underwriters will be filed by amendment.

Registration Statement No. 2-6002. Form S-1. (11-14-45).

WASHINGTON GAS LIGHT CO. has filed a registration statement for 40,000 shares of $4.25 cumulative preferred stock, without par value.

Address—1100 H Street, N. W. Washington, D. C.

Business—Public utility.

Offering—The company is offering 40,000 shares of the new preferred stock to the holders of its outstanding 40,000 shares of $5 cumulative preferred stock on a share for share basis plus a cash payment to be filed by amendment. The company proposes to redeem any unexchanged stock.

Purpose—To exchange preferred stock.

Underwriters—Alex. Brown & Sons; Auchincloss, Parker & Redpath; Johnston, Lemon & Co.; Folger, Nolan & Co., Inc.; Goodwyn & Olds; Mackall & Coe; Ferris, Exnicios & Co., Inc.; Robert C. Jones & Co., and Robinson, Rohrbaugh & Lukens.

Registration Statement No. 2-6003. Form S-1. (11-14-45).

TUESDAY, DEC. 4

INSURANCE CO. OF NORTH AMERICA has filed a registration statement for 300,000 shares of capital stock, par $10.

Address—1600 Arch Street, Philadelphia, Pa.

Business—Insurance.

Offering—The company is offering to its stockholders of record Nov. 30, 1945, subscription warrants to subscribe at $40 per share on the basis of one new share for each four shares held.

Proceeds—Of the proceeds, $10 per share, a maximum of $3,000,000, will be allocated to capital stock account and $30 per share or $9,000,000 will be allocated to surplus. The purpose of the financing is to provide the company with additional funds. From the proceeds received and credited to surplus, together with a further amount from surplus, the company proposes to subscribe for additional shares of stock of the Philadelphia Fire and Marine Insurance Co., a totally-held subsidiary, in an amount sufficient to increase its capital from $1,000,000 to $5,000,000 and its surplus from approximately $4,000,000 to approximately $20,000,000.

Registration Statement No. 2-6004. Form A-2. (11-15-45).

MARY LEE CANDIES, INC., has filed a registration statement for 79,228 shares of common stock, par $1. The shares are issued and outstanding and are being sold by certain stockholders.

Address—3140 Cass Avenue, Detroit, Mich.

Business—Candies and nut meats and operation of tearooms and fountains.

Offering—The price to the public is $7.87½ per share.

Proceeds—Go to the selling stockholders.

Underwriters—The group is headed by Herrick, Waddell & Co., Inc., New York.

Registration Statement No. 2-6005. Form S-2. (11-15-45).

HOWARD STORES CORP. has filed a registration statement for 31,525 shares of cumulative preferred stock, par $100, and 75,000 shares of common stock, par $1. The common stock is being sold by certain stockholders.

Address—170 Tillary Street, Brooklyn, N. Y.

Business—Operates a chain of 38 retail men's and boys' ready-to-wear clothing stores and the manufacture of substantially all of the clothing so distributed.

Offering—The company is offering the holders of its 31,525 shares of outstanding 5¼% cumulative preferred stock the opportunity to exchange their shares of old preferred for the new preferred stock on a share-for-share basis plus cash payment. The initial public offering prices will be filed by amendment.

Proceeds—The unexchanged shares of new preferred will be sold to underwriters and the proceeds, together with other funds, will be applied to the redemption about January, 1946, at $106 per share and accrued dividends of such shares of old preferred stock as are not exchanged. The proceeds from sale of the common stock will go to the selling stockholders.

Underwriters—A. G. Becker & Co., Inc., heads the underwriting group.

Registration Statement No. 2-6006. Form S-1. (11-15-45).

WEDNESDAY, DEC. 5

ALLEGHANY CORP. has filed a registration statement for 700,000 shares of common stock, par $1. The shares are issued and outstanding and are being sold by certain stockholders. These stockholders are Allan P. Kirby, 600,000 shares; Walter W. Foskett, 50,000, and Eunice M. Oakes, 50,000 shares.

Address—704-5 Equitable Building, Wilmington, Del.

Business—Investment of its funds in securities.

Offering—The price to the public will be filed by amendment.

Proceeds—The proceeds will go to the selling stockholders.

Underwriters—The underwriting group is headed by Otis & Co.

Registration Statement No. 2-6007. Form S-1. (11-16-45).

HAMMERMILL PAPER CO. has filed a registration statement for $5,000,000 20-year 3% sinking fund debentures due Dec. 1, 1965, and 15,000 shares of cumulative preferred stock. The dividend rate will be filed by amendment.

Address—Erie, Penna.

Business — Fine business and writing papers.

Offering—The price to the public will be filed by amendment.

Proceeds—The net proceeds will be used for the purchase and installation of additional equipment and paper making facilities.

Underwriters—A. G. Becker & Co., Inc., heads the underwriting group.

Registration Statement No. 2-6008. Form A-2. (11-16-45).

NATIONAL LINEN SERVICE CORP. has filed a registration statement for 30,000 shares of 4½% cumulative convertible preferred stock par $100 per share.

Address—445 Highland Avenue, N. E. Atlanta, Ga.

Business—Linen service business.

Offering—The company is offering to holders of its $5 cumulative preferred stock and $7 cumulative preferred the opportunity to exchange their shares for the new shares on a share for share basis, plus a cash payment. The price to the public is $103 per share.

Proceeds—The proceeds will be applied to the redemption of all outstanding $5 and $7 cumulative preferred stock which is not exchanged for the new preferred, and to the partpayment of bank loans.

Underwriters—Clement A. Evans & Co., Inc., Atlanta, Ga. heads the group.

Registration Statement No. 2-6009. Form S-1. (11-16-45).

SATURDAY, DEC. 8

SOUTHERN ADVANCE BAG & PAPER CO., INC., has filed a registration statement for 25,000 shares of 4½% cumulative preferred stock, par $100.

Address — 38 Newbury Street, Boston, Mass.

Business—Paper bags, wrapping paper, etc.

Offering—The company is offering 20,202 shares of the new preferred in exchange to the holders of the outstanding 20,202 shares of 7% and 6% cumulative preferred stocks on the basis of one share of new for each share of 7% preferred and one share of new preferred and $7.50 in cash for each share of 6% preferred. In addition, holders making the exchange will receive a cash payment. The underwriters will purchase any shares of new preferred not issued in the exchange and the shares of 4½% preferred not required for exchange.

Proceeds—The funds will be utilized to retire any of the 7,780 shares of 7% preferred and 12,422 shares of 6% preferred not presented for exchange at the retirement prices of $102.50 and $110 per share, respectively, plus accrued dividends. Any balance of proceeds will be added to working capital.

Underwriters—E. H. Rollins & Sons, Inc., heads the underwriting group.

Registration Statement No. 2-6010. Form A-2. (11-19-45).

S. D. WARREN CO. has filed a registration statement for 30,000 shares $4.50 cumulative preferred stock, no par value.

Address—Boston, Mass.

Business—Manufacture of paper.

Offering—The price to the public will be filed by amendment.

Proceeds—The company has entered into contracts for the private sale, at the time the preferred stock is issued, of $2,500,000 first closed mortgage 20-year 3¼% sinking fund bonds due Dec. 1, 1965. A total of $4,140,000 of the combined proceeds from the preferred stock and bond sale will be used to redeem the company's presently $4,000,000 first closed mortgage 15-year 4% sinking fund bonds due Nov. 1, 1959. The balance of the proceeds will be added to the general funds of the company. The company has also made arrangements, to replace $800,000 3% unsecured serial notes due 1946-1949 with $1,120,000 of 2¾% unsecured serial notes due 1946-1952, which, after payment of premium on retirement of the 3% notes, will further increase its general funds by about $300,000. The company intends to apply a portion of its general funds for additions and improvements.

Underwriters—First Boston Corporation heads the underwriting group.

Registration Statement No. 2-6011. Form A-2. (11-19-45).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

ALASKA AIRLINES, INC. on Oct. 31 filed a registration statement for common stock to net $2,000,000 to the company. The number of shares will be filed by amendment.

Details—See issue of Nov. 8.

Offering—To be filed by amendment.

Underwriters—To be filed by amendment.

AMERICAN BANTAM CAR CO. on Oct. 18 filed a registration statement for 83,547 shares of prior preferred stock, par $10, and 375,971 shares of common, par $1.

Details—See issue of Oct. 25.

Offering—Under an exchange offer the holders of convertible preference stock will be offered the privilege of exchanging convertible preference for common on the basis of 4½ shares of common for each share of convertible preference under Option A. Under Option B they may exchange convertible preference for prior preferred and common stock on the basis of one share of prior preferred and two shares of common for each share of convertible preference.

Underwriters—None mentioned.

AMPAL-AMERICAN PALESTINE TRADING CORP. on Oct. 3 filed a registration statement for 400,000 shares of 4% cumulative preferred non-voting shares.

Details—See issue of Oct. 11.

Offering—The price to the public is $5.50 per share.

Underwriters—The shares will be sold through the efforts of the directors and employees of the corporation.

BARIUM STEEL CORP. on Sept. 28 filed a registration statement for 166,063 shares of common stock, par $1.

Details—See issue of Oct. 4.

Offering—Holders of common stock of record Nov. 1 were given the right to subscribe to the new common shares at $3 per share, at the rate of one new share for each five shares held. Rights expire Nov. 19 at 3 p.m. (EST). There are no underwriters, but corporation reserves the right to sell any unsubscribed shares at a price which will net the corporation at least $3 per share.

BURRILLVILLE RACING ASSOCIATION on Aug. 28 filed a registration statement for $1,000,000 6% 20-year debentures due Sept. 1, 1965, and 10,000 shares class A stock (no par).

Details—See issue of Sept. 6.

Offering—The public offering price for a unit consisting of $500 of debentures and five shares of stock is $500 with the underwriter receiving a commission of $25

Underwriters—Barrett & Co., Providence, R. I., underwriters.

CAMDEN FORGE CO. on Oct. 29 filed a registration statement for 177,318 shares of common stock, par $1. The shares registered are outstanding shares owned by Union Securities Corp., and constitute all of the outstanding common shares except 12 owned by directors.

Details—See issue of Nov. 1.

Underwriters—Names will be filed by amendment, to be selected by Union Securities Corp.

CROSLEY MOTORS, INC., on Oct. 22 filed a registration statement for 235,099 shares of common stock (no par).

Details—See issue of Oct. 25.

Offering — Present shareholders of the Crosley Corp. as of record Nov. 6 and former stockholders of Crosley Corp. who sold their shares to Aviation Corp. are given the right to subscribe for shares of Crosley Motors for the same number of shares as those held in Crosley Corp. at $6 per share. Rights expire Nov. 27. The subscription rights are exclusive of a certain group who have already subscribed for the stock. Any stock not subscribed pursuant to rights may be disposed of by the board of directors.

Underwriters—No underwriting agreement has been entered into.

EUREKA CORP., LTD., on Sept. 28 filed a registration statement for 2,595,000 shares of common, par $1.

Details—See issue of Oct. 4.

Offering—Toronto Mines Finance, Ltd., has entered into a firm commitment to purchase 480,000 shares at $1.23 per share, and has an option on 1,920,000 shares at the same price. The offering is to be made among the shareholders of Ventures, Ltd., Frobisher, Ltd., and La Luz Mines, Ltd. (Canadian companies) at $1.25 per share, and to Eureka stockholders. Price is expressed in terms of Canadian money. Shares not so acquired will be offered generally to the public. Should the option not be exercised by Toronto Mines Finance, Ltd., the company itself will make the offering, as aforesaid. The remaining 195,000 shares are to be purchased by the company geologist, officials and employees.

FLEMING-HALL TOBACCO CO., INC., on Oct. 31 filed a registration statement for 150,000 shares 6% cumulative preferred stock, par $10, and 150,000 shares of common, par $1.

Details—See issue of Nov. 8.

Offering—The stock will be offered in units consisting of one share of preferred and one share of common at $15 per unit.

Underwriters—Floyd D. Cerf Co. heads the group.

GENERAL INSTRUMENT CORP. on Oct. 25 filed a registration statement for 60,000 shares cumulative convertible preferred, $20 par, and 260,000 shares of common, par $1. The dividend rate on the preferred will be filed by amendment. The common registered includes 100,000 shares reserved for issuance upon conversion of the preferred. The 160,000 shares of common stock is issued and outstanding and being sold by certain stockholders.

Details—See issue of Nov. 1.

Offering—The price to the public will be filed by amendment.

Underwriters—Burr & Co. heads the underwriting group.

GENERAL SECURITIES CORP. on Sept. 28 filed a registration statement for 200,000 shares of common stock, par $5.

Details—See issue of Oct. 4.

Offering—The price to the public is $7.50 per share.

Underwriters—General Finance Co., Atlanta, Ga., is fiscal agent.

(This List is Incomplete This Week)

Finland Seeks Ten-Year Loan

(Continued from page 2493)

Government may hold. In fact, as to silver, we do not use it. Our paper currency is in denominations as low as 5 finnmarks. Smaller money is made of iron, bronze, and copper."

What Reparations Take

Under the reparations agreement with Russia Finland is to deliver machinery, complete lumber processing plant equipment, cranes and conveyors, narrow gauge railway material, electrical machinery, turbines and certain special machines to the value of approximately $100,000,000. New ships, barges, floating docks and dock equipment account for about $60,000,000 of the reparation payments, to which must be added almost $15,000,000 for the value of existing vessels that are to be handed over. Forest products to the value of $100,000,000 are included in the agreement, and also $25,000,000 worth of copper wire and cables.

Despite what Mr. Tuomioja told the "Chronicle," it is known that Washington economists have had the opinion that any help to Finland from this country would involve transference, temporarily at least, of part of the reparations burden on the United States. It will be recalled that only recently Secretary of State Byrnes took the stand that there can be no question of Italy paying reparations to Russia, since Italy will need help from the United States and could not pay back that help as well as pay reparations. Perhaps a distinction will be drawn in Finland's case, in the light of the Finnish contention, outlined above, that the country has the economic strength to repay a loan as well as to pay reparations.

Export-Import Loan to Finland Already Outstanding

On the books of the Export-Import Bank the Finnish-American Trading Corporation is shown as owing $23,870,000, out of $26,211,000 disbursed under the two loan agreements of December 1939 and March 1940. Had not the Export-Import Bank extended the terms, the record would show these two loans in default. If the record is to continue to be kept "clear," some provision as to those credits must be made in the course of any new arrangement which may be reached with Finland.

Congressmen Disillusioned on British Loan

(Continued from page 2452)

Indeed, Congressmen who have visited Britain during recent months were told there that the British regard "something to take the place of Lend-Lease" as their due, and not an American benevolence. It is this attitude which has not been going down well in Congress.

Bretton Woods Selling Point

Another thing that irritates some Representatives is the failure of other countries thus far to ratify the Bretton Woods Agreements, the while several such countries have sought, or are known to want, special loans from Washington. In part, Bretton Woods was sold to Congress on the grounds that it, plus the expansion of the Export-Import Bank to a $3.5 billion institution, would take care of all pressing needs. Now, before the BW Agreement is even ratified, we see foreign countries seeking direct help here. This puts a leader like Repr. Jesse Wolcott of Michigan—ranking Republican on the House Banking and Currency Committee and, as a member of this country's delegation at the monetary conference, a leading sponsor of the Fund and Bank in Congress—on the spot among his fellows.

When Bretton Woods was before the House for action, Mr. Wolcott told that body: "If we participate in this Fund, if we participate in the International Bank, if we increase the capital of the Export-Import Bank of Washington to $2,200,000,000, there will be no justification for the Treasury directly loaning to any foreign country one single dollar. . . . So long as the assets of the International Bank and the Export-Import Bank of Washington hold out, there is no justification for the Treasury making any direct loans. They may very conveniently refer all requests for loans to the International Bank, wherein the risk is spread out among 44 nations, or to the Export-Import Bank of Washington, in which I think we should have a great deal of faith and confidence."

Reflecting the view of Mr. Jesse Jones, as reported in last week's "Chronicle," that the British want to get the loan in the bag without doing more than discuss with us at some later date the commercial policy in which many Americans are interested, Mr. Wolcott, who was a member of the Colmer Committee group which visited Europe, Russia and the Near East last summer and which on November 12 published a report to Congress, gave the "Chronicle" the following statement.

"The benefit to the United States from Bretton Woods is only indirect and somewhat remote. Any benefit therefrom to this country is wholly dependent upon the cooperation of the other participating countries in effectuating Bretton Woods' purposes. Such purposes include stabilization of currencies and international trading on multilateral, as opposed to bilateral lines. If the United Kingdom insists upon nullifying the intent and purpose of Bretton Woods by insisting upon trade on a bilateral basis, then we can write off any benefits to us from Bretton Woods. Likewise, if Britain depreciates the pound sterling, the step will have a detrimental effect upon the stability of most European currencies and will make it more difficult for us to keep the dollar in a position where it can be utilized as a stabilizing anchor.

"In short, the success or failure of Bretton Woods as a stabilizing influence in the monetary and economic spheres depends largely on what attitude the United Kingdom takes. Before we give any consideration to the granting of a substantial credit to Britain directly out of the Federal Treasury, that country should make very clear its position in the respects just mentioned.

Other Countries, Please Note

"Not only Britain, but other countries should keep in mind that the making of foreign loans is not indispensable to the welfare of the United States for the maintenance of its economy. We would like to trade with the world, but, although an expansion of our exports above prewar levels is desirable, it should be made clear that our economy does not rest predominantly on foreign markets for our products. Ninety-three percent of our production is sold at home and we cannot afford to lose sight of this fact in chasing prosperity through loan-financed exports that will increase our sales abroad by a few percent. Full employment in America, contrary to the advice some have been giving us, is not dependent upon our lending and investing heavily abroad so much as it is upon our strengthening our domestic economy and fully utilizing the vast reservoir of domestic purchasing power through increasing our output of goods.

"If we do extend aid to foreign countries," Mr. Wolcott continued, "it should be predicated on a clear and simultaneous understanding on matters we consider important, which is necessary if there is going to be any stability in the world's trade. We passed Bretton Woods to help others, rather than ourselves and other countries should not now use our altruistic action in this respect to bludgeon us piecemeal into concessions. As was stated in the recent report of the House Special Committee on Postwar Economic Policy and Planning, a report issued by the full committee and not just by those who went abroad this year, there should be an integration of American loan policy. And the report continues:

"'As a first instance, it is necessary to protect against the granting of large-scale loans by the Export-Import Bank or any other governmental department or agency for long-range reconstruction before the nations requesting loans have shown a willingness to make available and to utilize fully the credits, resources, and stabilizing influences of the International Monetary Fund and the International Bank for Reconstruction and Development referred to the United Nations under the Bretton Woods agreements. The committee recommends that the funds of the Export-Import Bank should not be further increased beyond the present $3,500,000,000 already authorized until the Bretton Woods agreements have gone into effect.

"'The committee suggests that since the advantages afforded by United States loans and other settlements are our best bargaining asset in securing political and economic concessions in the interest of world stability, there should be a total integration of economic policy to this end.'"

Britain's Loan

As has become clear, Britain has been using ratification of the Bretton Woods Agreements as a means of bringing pressure on the United States in the matter of the loan now under discussion, and it may be assumed that once the loan is in the bag, Britain will find something else to use for bargaining purposes when the international trade conference is held sometime next year. If agreement on a loan to Britain is not in sight before very long, Britain will not ratify Bretton Woods. Actually, high Treasury officials are hopeful that Britain will ratify within about three weeks, and that thereafter many other countries will follow suite. The British approval, incidentally, will not take the same form as did that of Congress. Britain is expected to approve Bretton Woods by executive action, following a debate by Parliament. In the end, Parliament is expected to leave the matter to the discretion of H. M. Government.

The Bretton Woods Agreements call for ratification by 65% of the voting power of the members before the end of 1945. Unlike the London Silver Agreement of 1933, the Agreements cannot be postponed by an exchange of notes among the signatories. According to Repr. Wolcott, the matter would have to come before Congress again, since the Dec. 31, 1945 deadline was one of the things Congress had in mind when it approved the agreements last summer. And, he adds, if the matter came to a vote in Congress today, the attitude of that body might be quite different from what it then was. Naturally, the supporters of Bretton Woods in Washington are anxious to have the program adopted before the end of the year. Then they can address themselves to the job of selling the country on a generous loan to Britain. The selling job has already commenced, utilizing the experience gained at Bretton Woods.

Washington wags are saying that Bretton Woods was sold to the American people as "the as good as gold standard" and must be sold to the British as "the direct opposite of the gold standard"; while the Anglo-American financial deal will have to be sold to the British as a "gift from America" and to the American public as a "loan."

"Have Lend-Gift But Get Quid Pro Quo": Col. McCormick

(Continued from first page)

in a study for the National Institute of Economic and Social Research, a British scientific organization, and has been confirmed by other investigations.

The London "Economist," in a series of articles published last year, sought to determine the reason for the inferior status of the ordinary citizen in Britain. For just as living standards in Britain and America are as one is to two, so production per worker in the countries is in similar proportion.

American superiority is the result of equipment. According to Carl Snyder, a noted statistician, the industries have been thus supplied by devoting between 5 and 6% of the national income each year to this purpose. The use of so small a part of our total income has made possible a persistent rise, averaging 3% per annum, in our product per capita.

In England only 3% of the national income per year has been invested in new capital assets. The advance in production per worker has averaged no more than 1½% a year. The increase in the size of each worker's income has been at a correspondingly slower rate.

It is obvious that if we dissipate our national income, by whatever means, our productivity and living standards must suffer.

Last fall a committee of Lancashire textile men came to America to see if they could learn anything about how their line of business was conducted here, feeling certain that they could not. They were shocked.

According to the report issued after their return home, output here in this—the leading British industry—far exceeds their standards. Production per worker, they found, was from 1⅓ to 10 times as great as in Britain.

The main reasons for American superiority were given in the report as follows: "The use of high-speed and automatic machinery wherever possible; the use of up-to-date plants; the application of scientific methods to the utilization of labor, which permits a relatively large number of units or machines to be supervised by the machine operatives; the policy of concentrating on machines in terms of output."

Coal is Britain's second greatest industry and in 1938 gave employment to 780,000 men. Output here also lags far behind American standards. The Reid report issued in London in April told of this. British mines are under-mechanized and have especially antiquated underground haulage systems. There is one underground haulage worker for each five tons of coal produced in England and one for each 50 tons in America.

Two high ranking authorities last week told about the coal industry in Britain today. Dr. Charles J. Potter, Solid Fuels Administrator of the Department of the Interior, stated in an address before the Academy of Political Science in New York: "Europe's desperate need for warmth, production, transportation and employment hinges upon the supply of coal. . . . Britain is able to keep her industrial machine operating at a pre-war level only by severely rationing fuel. She has no coal for export. She has not kept pace with technological advances in mining, and has increased miners' wages from an average of $11 per week before the war to $25 per week. Thus Britain's coal has become the most costly to mine in the world."

And the other high authority, John L. Lewis, told the Labor-Management Conference in Washington: "American miners produce six tons of coal a man to one ton a man in Britain. While American miners' wages are three times as high as those of the British, prices to the consumer were less than one-third those charged for British coal. The reason lies in Britain's failure to modernize. That has placed the British Empire at an economic disadvantage in the post-war world."

Because Britain's coal mining methods are so bad, and return of the Ruhr to full output is going so slowly, suffering in Europe will be no worse than it is going to be because the United States is now shipping two million tons a month all the way across the ocean. The two million tons constitutes the top capacity of American ports to load coal.

In steel—another high ranking industry—it is the same story. Rostas found production per worker here to be twice what it is in Britain.

The British Government has insisted upon such low depreciation rates as to keep obsolete machinery in use. The owners have sought to overcome these handicaps by agreements in restraint of trade. From these conditions, British industry is in a vicious downward spiral.

This is not a condition that we can remedy.

If we can accept the thesis of the "Economist," that the amount of capital applied to an industry determines the productivity and living standards, then the Labor Party can deliver only by adding to the supply of capital equipment of its industries. How can the new rulers of Britain bring this result about?

Either by borrowing or by saving. Canada used the first and has welcomed the investment of large amounts of American and British capital there, raising productivity and living standards to a high level. That method is not available to Britain while the Labor Party threatens to take over, first, the Bank of England, then the mines, electric power, iron and steel, and transport. New capital will not flow to a country which has confiscation as a national policy, and Exchange Control which may act as a bar to the recovery of the principal.

The other means of adding to capital equipment is by saving. This means that the country consumes less than it produces, using the surplus to invest in capital goods.

If the British were willing to keep consumption at a low level, work hard, and be content to wait some years for the reconstruction of their homes and public buildings, they could modernize their factories and mines in a fairly short time. Only the event will tell how British Labor will react to its new situation.

It would help England for us to send a delegation of energetic Americans to teach the English workmen how to work. That would be better than to strain our own workmen to still greater efforts to keep English workmen in semi-idleness.

Great Britain has certain economic policies injurious to us, but quite within her rights, however much they violate the Doctrine of United Nations.

There is the pound bloc—an agreement among the members of the Empire (except Canada) and Sweden, Norway, Denmark, Holland, France, Portugal, and Egypt, to trade with each other only in pounds; to deposit any other currencies they receive in the Bank of England, and to discourage trade outside of their number.

Again there is the Empire preference in which the constituent members of the Empire give tariff preference to each other. On top of this the totalitarian Government of New Zealand denies import licenses to Americans while granting them to British exporters.

As I say, *these arrangements* are entirely within the rights of the contracting parties, but they are disadvantageous to us and we have a perfectly good right to require their abolishment or modification in consideration of any gifts or loans to the Empire.

We believe there should be other conditions imposed in consideration of gifts or loans.

The people of the Northwest Territory, followers of Lincoln, at least, cannot support slavery in any form. The British are in India, Burma, Malaya, and Java only because the Americans defeated the Japanese, who had defeated all their other enemies.

We cannot escape responsibility for evils being perpetrated on helpless people by the British, Dutch and French using American Lend-Lease weapons to force natives to work in the rubber plantations for $3.29 a month—11 cents a day. We must insist that these outrages stop at once.

We have still another demand to make upon Great Britain, both in the name of humanity and of national security. It is to evacuate all of her possessions in this hemisphere.

Canada has finally achieved her independence. The small colonies in and near the Caribbean Sea are not strong enough to do so. They are of no economic value to the Empire, although politically they support a number of place holders.

They should be set free just as Cuba was set free. They have been used in the past as bases to attack us, and upon occasion, at need, could so be used again perhaps to launch atom bombs.

There are people here, no doubt, who will be indignant at such a suggestion, but I have not forgotten the Fort Dearborn massacre and I have learned of the massacres in Java.

Have Lend-Gift if you will, but get Quid Pro Quo for America.

Schedule of Nationalization

(Continued from first page)

and the establishment of a National Investment Board. After all, the Bank of England had been already for all practical purposes under Government control; as Mr. Churchill remarked in a speech in August, its nationalization raised no new principles. The coal industry, by all but universal consent, needed badly some form of drastic reorganization, even in some quarters which are far from being Socialist the idea of its nationalization has caused no resentment. As for the proposed regulation of the flow of investment, it was already under strict control for years before the war. The program of the Socialist Government for the fifteen months of the Parliamentary session of 1945-46 was considered very moderate by all but the extreme Right-wing Conservatives, and the Stock Exchange responded to these feelings by staging a recovery after the slump that followed the Labour victory.

Within two months it was discovered, however, that the program of nationalization included in the King's Speech was only a modest beginning of a much more ambitious program. On a single day on Nov. 1st the Government anounced its plans to nationalize Civil Aviation and Imperial Telecommunications. The announcement took the Opposition so completely by surprise that hardly a voice was raised in the House of Commons in protest against the proposed measures.

It is now know that the full schedule of nationalizations for the session 1945-46 includes, in addition to the items mentioned above, also the nationalization of transport, of electricity and of gas. And the reasons why no further items are included in that ambitious program lies in the delay caused by the drafting of so many complicated bills. The experts of the House of Commons engaged in that highly specialized task are working overtime, but cannot do more than is humanly possible. This is the reason why, apart from the relatively simple Bank of England Bill, the Government has not yet been able to introduce any other Nationalization Bill, and is marking time by keeping Parliament occupied with minor Bills inherited from the Coalition Government. Once this drafting difficulty is overcome (possibly through an increase of the number of experts) the Nationalization Bills will be tabled in close succession.

The most difficult among the nationalization schemes is that of the iron and steel industry, including the engineering industry. Advance plans are well on their way, but the Bill is not expected to reach Parliament until the session 1946-47. The nationalization of several other industries is also planned. Indeed, so far the only industries which the Government declared to intend to leave in private ownership are textiles and insurance; even the latter will be partly nationalized through the impending social security measures.

It is the Government's intention to lay the foundations of the Socialist State, not by violent revolution as in Russia, but hardly less effectively. The next four years will witness the nationalization of most major industries. It is true, possibly the next general election may bring back the Conservatives. But by that time the program of nationalizations will have been carried out, and a Conservative Government would find it extremely difficult to unscramble the eggs. It would not be easy, for instance, to restore the coal mines into private ownership, after they have been merged into regional units in which the former individual concerns would entirely lose their identity.

R. P. Baruch Again Active at H. Hentz

Robert Parkes Baruch, a partner of H. Hentz & Co., 60 Broad Street, New York City, members of the New York Stock Exchange, has returned from service in the Navy as a Lieutenant Commander U. S. N. R. and is again actively participating in the business of the firm.

W. E. Hutton & Co. to Admit B. D. Williams

W. E. Hutton & Co., 14 Wall Street, New York City, members of the New York Stock Exchange and other exchanges, will admit Benjamin D. Williams to partnership in the firm on December 1st. On the same date Robert C. L. Timpson, limited partner, will become a general partner. Mr. Williams was a partner in the firm in the past.

Moore & Schley to Admit

Thomas J. Gorman will acquire the Exchange membership of Henry A. Cohn and will become a partner in Moore & Schley, 100 Broadway, New York City, members of the New York Stock Exchange, as of November 2nd.

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The COMMERCIAL and FINANCIAL CHRONICLE

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Volume 162 Number 4440 New York, N. Y., Thursday, November 22, 1945 Price 60 Cents a Copy

The Financial Situation

One of the strangest notions of an era noted for its queer formulae is the "high consumption economy" doctrine as preached by many if not most of the economic planners of the New Deal menage left in Washington. It is, in a sense perhaps, a variant, or possibly better, a descendant of the "over-saving" theory of the early 'thirties, and is certainly not unrelated to the "mature economy" preachments which gained so much headway during the early days of the New Deal. It, however, appears to have certain absurdities all its own. The "over-saving" theorists, misled apparently by the accumulation of inflationary funds in institutions designed to hold the savings of the community, or at least a substantial part of them, rather loosely arrived at the conclusion that the economic merry-making of the 'twenties came to an end because, for reasons not clearly explained, the people insisted upon saving too much—and that despite the undisputed fact that production during the New Era was at record-breaking levels and there was no accumulation of consumers' goods. No one ever took the pains to explain how a people consuming more than it had ever done before could have "saved" itself into the depression of the early 'thirties.

Earlier Views

The New Deal in its earlier days took a gloomier and more fatalistic view of the situation. That is to say, it took unto its bosom the "mature economy" notion, which was based upon the contention that our economy, having left the last frontier behind, must expect a savings disproportionate to investment opportunity as a natural, regular and permanent phenomenon if matters were left to take care of themselves. The trouble was, however, held not so much "over-saving" as a scarcity of investment opportunity. The

(Continued on page 2500)

The Steel Wage Impasse

B. F. Fairless of U. S. Steel Corp., in Radio Broadcast Asserts No Wage Rise Possible Without Higher Prices, and Places Problem With OPA. Refutes as "Bare-faced Misstatement of Fact" Assertion of President Murray of CIO That Steel Companies Have Hidden Profits and That They Are Trying to Bludgeon the Government Into a Price Increase. Murray Writes Secretary Schwellenbach Attacking Tactics of U. S. Steel Corp.

Benjamin F. Fairless

The demand of the CIO United Steel Workers Union for a general two-dollar-a-day wage increase has been met by a flat denial from the principal steel companies, who contend that no wage increase is possible without corresponding price increases in steel products. The attitude of the steel industry was stated in a radio interview with B. F. Fairless, President of the United States Steel Corp. and Vice-President of the American Iron and Steel Institute, over the network of the American Broadcasting Co. on Nov. 13. Because of its importance as a statement of the policy of the steel manufacturers, we give below the complete script of the broadcast:

Announcer: Good evening. Tonight we bring you a discussion of one of the most important questions of the day. Every American is directly affected by the current wage dispute in the steel industry. We are all eager to get back quickly to peacetime manufacture. That is the only way we can make jobs for returning veterans and the men and women who held jobs in war industries. We are all looking forward to reconversion of war plants for new homes, automobiles, refrigerators, farm equipment and hundreds of items which weren't available to us during the war years.

And as you know, steel is essential in the manufacture of all these things. Industry cannot get going without it.

The United Steelworkers of America are insisting upon a $2 a day wage increase. At the request of the CIO Union a strike vote is being taken on Nov. 28 to enforce this wage increase demand.

In the studio tonight is one of the key men in the steel industry. Let me describe him to you. He is of medium height. He has an un-

(Continued on page 2506)

Observations

By A. WILFRED MAY

Continuing its "cut-rate" aid to its selling of obligations of the U.S. Government — the world's finest investment — the Treasury Department last week sponsored a batch of new bonuses to buyers. These included such plums as nylon stockings, a soldier escort to a school prom, theatre tickets, and a ride on a miniature railroad.

The use of such stunts should not be lightly tossed aside as a joke, for it has deep repercussions on the entire War Bond campaign. The indication by the Treasury of its conviction that the offerings of Government Bonds must be "sweetened" by prizes ranging from jewelry to movie-star kisses, certainly has confused the public about their attractiveness—particularly with respect to their self-interested investment advantage. As a result, although paying double the interest rate obtainable from the bulging savings banks the United States Government cannot compete with them without resorting to additional premiums.

With the ending of the public's wartime psychology, the past underemphasis in selling the intrinsic attractiveness of War Bonds has now come home to roost. The current Victory Loan's Series E Bond sales, at $579 million through last week, are running at about one-half those in the previous drive. Furthermore the denomination of the bonds sold is understood to be considerably larger than heretofore, indicating a far narrower distribution and a disproportionate decrease in the number of separate buyers.

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*These items appeared in the "Chronicle" of Nov. 19, on pages indicated.

President Truman's Message On Federal Health Insurance

Pointing Out That Nearly Five Million of Draft Registrants Were Found Unfit and "That Our New Economic Bill of Rights Should Mean Health, Security for All," Mr. Truman Recommends a Federal System of Health Insurance, Health Research and Hospital Facilities. Proposes a Prepayment Premium Plan Based on 4% of Earnings, Limited to $3,600 and Denies It Will Mean "Socialized Medicine." Advocates Medical Subsidies to the States.

President Truman

President Harry S. Truman on Nov. 19 submitted to Congress a special message in which he recommended the adoption of a Federal Health Insurance system as well as extensive grants in aid to medical research and Federal subsidization of health and hospital facilities. The text of the message follows:

To the Congress of the United States:

In my message to the Congress of Sept. 6, 1945, there were enumerated in a proposed Economic Bill of Rights certain rights which ought to be assured to every American citizen.

One of them was: "The right to adequate medical care and the opportunity to achieve and enjoy good health." Another was the "right to adequate protection from the economic fears of . . . sickness."

Millions of our citizens do not have a full measure of opportunity to achieve and enjoy good health. Millions do not now have protection or security against the economic effects of sickness. The time has arrived for action to help them attain that opportunity and that protection.

The people of the United States received a shock when the medical examinations conducted by the Selective Service System revealed the widespread physical and mental incapacity among the young people of our nation. We had had prior warnings from eminent medical authorities and from investigating committees. The

(Continued on page 2504)

The Atomic Bomb And Future Peace

By HON. JAMES F. BYRNES*

Secretary of State

Secretary Byrnes, Asserting That the Civilized World Cannot Survive an Atomic War, Declares That the Anglo-American-Canadian Agreement on the Atomic Bomb Is the First Step in an Effort to Rescue the World From a Desperate Armament Race. Recommends That Commission of UNO Be Formed to Provide for Exchange of All Scientific Information for Peaceful Purposes and the Future Application of Atomic Energy. Reiterates U. S. Adherence to United Nations Organization and States We Will Not Act to Undermine Our Own Safety or Safety of the World. Urges Expansion of World Trade and Removal of Trade Restrictions as Means of Attaining Peace and Prosperity.

James F. Byrnes

When I accepted Charleston's very gracious invitation to return to the city of my birth and the scenes of my younger days, I thought that nothing I could say here would interest you more than world trade.

Charleston, being one of of the oldest ports in America, certainly has a vital interest in the restoration of world commerce.

Since accepting this invitation to be with you I have participated in a conference in Washington which concerns every human being and civilization itself.

Therefore, before expressing some views on international trade, I wish to comment briefly on the efforts we are making to control atomic energy so that it may be used, not for war and destruction, but for the peace and happiness of the world.

The full significance of the release of atomic energy is not quickly or easily comprehended. As it happened, in my capacity as Director of War Mobiilzation, I was well aware of the awesome character of the great experiment that we then referred to as the Manhattan Project.

Later, during the short period I was out of the Government

---

*An address by Secretary Byrnes at the Mayor's Dinner celebrating "Jimmy Byrnes Homecoming Day," Charleston, S. C., Nov. 16, 1945.

(Continued on page 2503)

From Washington Ahead of the News

By CARLISLE BARGERON

Those people who have been reluctant to face the facts about the British Socialist Government, who have been telling themselves that it isn't as bad as it seems, that it is going in for only limited socialization, that really it is a blessing in disguise for us, because it will serve as a comparison to the Communist totalitarian state and our democratic state—they didn't get any reassurance from Prime Minister Attlee's visit to Washington. This writer had about as good an opportunity to observe him, at off-the-record conferences and luncheons, as anybody else.

Carlisle Bargeron

There is not the slightest doubt in our mind that the plan is to socialize all of Britain just as fast as the country can digest it. The premier would never say this. He would evade direct questions by saying that the Government had in mind first talking over those industries which are closely related to the public, the utilities, transportation, etc., and those vital industries which through their own inefficiency, such as the coal industry, needed the strong hand of government. This is as far as was expected to go the "first year or so." Repeated questions then as to whether a line was to be drawn, a line of demarcation between government ownership and private enterprise, got nothing but a smiling evasion.

There was another thing that impressed us about Attlee. He has been assiduously pictured as a mildmannered schoolmaster type, nothing radical about him. In fact, much has been made of the business and professional men in the new government. If they are like Attlee, they are determined, frustrated men who are burning up against the private enterprise system as much as any of the wildeyed babies we have had in Washington. Attlee frequently betrayed his bitterness. In spite of what has been written about him to the effect that he had a brilliant career as a lawyer ahead but voluntarily forsook it to live among the poorer classes, we would bet a pretty penny that he suffered an early frustration of some kind or another. Unless our impression is wholly wrong, there is nothing soft or mild about him except his speech. He is hard, and the socialization into which Britain is headed is to be gradually all embracing, one step begetting another, until they will have something on the order of totalitarianism. The Socialists can be voted out of power by the liberty loving British, we are told, but the few socialists among the British contingent in Washington, seem not to have the slightest fear of this. From them, and from some things that are going on over there, you get the impression that the government is moving fast like the New Deal to utterly subjugate the voters, make them dependent upon the government.

We note a marked similarity in their utterances to those of the New Dealers when they were rising high. These utterances surpass this writer's understanding of psychology but they worked in this country, so the utterers must know what they are doing. These utterances paint nothing but a long black future for the British, continued privations, continued restrictions. There seemed to be nothing apologetic about the announcement that controls must be continued for five years. Rather, the announcement in the Commons reflected a pride of accomplishment, at least a gloating, as if to say: "You are to be severely punished for having had the Conservative government this long."

This was the theme of the New Dealers, perpetual punishment for our sins of the past, continued crises. We suppose it is really a psychological beating of the people into submission, a steady destruction of their self-confidence.

Instead of the American people being almost frightened to death over their possession of the atomic bomb, they would be laughing themselves sick if the editors would only give them a proper perspective of the heated debate. The great majority of the "scientists" coming here and demanding to be heard, demanding that the bomb be given to Russia, demanding this and demanding that, are youngsters just out of school and barely needing to shave. Even Senator Brian McMahon, a new member of the Senate who has attracted nationwide publicity by pulling a fast one on his older colleagues and getting through a resolution to study the whole question, can't help but laugh at these fellows.

Just as a few years ago when the cry went up for "strong men" and "leaders" to get us out of our distress, and it was amazing how many of them were lurking around in the bushes, an amazing number of "scientists" are appearing. They are forming into more associations than the veterans. There are separate associations for the clerks, pardon me, the "scientists" who worked at the various bomb projects, Tennessee, Washington, Manhattan and New Mexico, and there are associations of others who didn't. To hear a 25 year old youngster solemnly telling a senator that he will not stand for anything that prevents a free exchange of scientific thought all over the world, is really delightful. Our domestic Commies ever on the alert for the young and gullible minds have grabbed a number of these "scientists" for one of their fronts.

Behind the agitation of the more experienced ones is a yearning for a bigger and better way of living for scientists—more pay. They hope to make it utterly essential for every little industry to have a scientist in its employ. Our industries have come to be loaded down with economists, public relations and labor relations experts. Now, they've got to make room for the scientists. There is coming a time when the farmer is going to get tired of doing the only essential work.

Aufderhar Elected By Savings Banks Trust Co.

Charles F. Aufderhar was elected Assistant Vice-President of the Savings Banks Trust Company at the October meeting of the Board of Directors, it is announced by August Ihlefeld, President. Mr. Aufderhar joined the Savings Banks Trust Company in 1934. Previous to that time he was associated with the Bureau of Municipal Research in the Chamber of Commerce of Newark, N. J., and was for some years a municipal bond analyst with the Central Hanover Bank and Trust Company.

Human Rights Group Urged for UNO

A recommendation that an international bill of rights be drafted by the United Nations General Assembly when it holds its first meeting in January has been sent to the American delegation of the Preparatory Commission of the UNO, in London, by the group in this country known as the Commission to Study the Organization of the Peace. The committee is headed by Dr. James T. Shotwell and its director is Clark M. Eichelberger, according to a statement in the New York "Times" on Nov. 12. The proposal that the UNO appoint a small and carefully selected Commission on Human Rights was signed by the members of the United States organization's committee on human rights.

Dr. Shotwell's group have suggested possible functions and aims for the commission, and the "Times" discusses these as follows:

First on the list was formulating a declaration of human rights. This suggestion was made with the acknowledgement that the process may have to be slow, possibly with formal agreement on definition of a limited number of rights at first.

Acceptance of an international declaration of rights may constitute a next stage of development, the statement said. The United Nations may finally achieve a uniform bill of rights or a full-fledged international bill of rights. How rapidly these strides can be taken no one can now forecast. Much will depend upon the confidence which member States come to feel in the world organization, and upon progress in other fields, particularly in the development and codification of international law.

Other tasks of the commission, as suggested by the American group, would be to stimulate public discussion and understanding of human rights, to obtain information and report on the extent to which fundamental freedoms are respected throughout the world, to make recommendations for action in the field of human rights and to prepare reports on matters that may require consideration by any of the organs or agencies of the United Nations.

As for the membership of the commission, the statement said it should be composed of from five to 20 persons, appointed as individuals. Each nation, it was proposed, should submit a list of possible members, no more than half of whom would be its own citizens, and out of these nominations the Economic and Social Council of the UNO should choose the membership.

Besides Dr. Shotwell and Mr. Eichelberger, according to the "Times," the signers of the statement were Henry A. Atkinson, Walter Lyman Brown, Malcolm W. Davis, Monroe E. Deutsch, John R. Ellingston, Arthur J. Goldsmith, and Rev. John LaFarge, Archbishop Robert E. Lucey, Jeremiah T. Mahoney, George Z. Medalie, William Allan Neilson, O. Frederick Noide, Robert Norton, Bishop G. Bromley Oxnam, Bishop Edward L. Parsons, James N. Rosenberg, Henry P. Van Dusen, Quincy Wright, Allen Wardwell.

Reports on Reich Control

Byron Price, who recently returned from a six-weeks European trip, has made a detailed report to President Truman on his survey of relations between military control authorities and civilians in Germany, according to Associated Press Washington advices of Nov. 14. The report is not to be made public, however, until the President has completed his study of the findings.

The State of Trade

Modest recovery was again noted in industrial output the past week notwithstanding material and labor shortages. Some improvement in deliveries took place in a few lines, but unemployment remained higher than a year ago and was generally unchanged in the week. As pointed out in preceding weeks, despite large numbers without situations, many positions remain unfilled. For the week ending Nov. 3, initial unemployment compensation claims rose by 2%.

In the automotive field, the first to be almost wholly converted to wartime purposes, manufacturers are beginning to get production into high gear with output of automobiles and trucks up 7,000 units a week for the past three weeks. As the picture looks at present, the monthly level of 200,000 units will be attained by the end of November if the present rate is maintained and industry is not hampered by strikes.

The long-awaited OPA statement on auto prices was announced by Price Administrator Chester Bowles on Sunday, last. The new 1946 model passenger automobiles, now coming into dealer showrooms, will be sold at retail prices which on the average will be no higher than those charged in January, 1942, adjusted for changes in design and engineering specifications.

Factor prices, according to Mr. Bowles, apart from specification changes, will be increased on the average by less than 3½% above the 1942 levels. This increase in factory prices will not be passed through to the car buyer.

Dealers' normal prewar initial margins will be uniformly reduced by 2.5 percentage points, which will assure the 1942 retail prices on the average for all cars. Because of the elimination or reduction in the losses which they formerly were forced to take on used cars, dealers are, however, assured margins considerably above those actually realized before the war.

On Saturday, last, the United States finally yielded to the demands of Latin-American producing nations for an increase in the ceiling price of green coffee, but held the price line to United States consumers through a $24,000,000 subsidy to coffee importers. From Stabilization Director John C. Collet's announcement, importers would be permitted to pay three cents a pound additional for green coffee from Nov. 19, 1945 to March 31, 1946, but that the increase, estimated to cost $24,000,000 would be absorbed by a Government subsidy.

"The subsidy," Mr. Collet said, "is the only alternative either to a return to coffee rationing or to a price increase to consumers of five cents or more per pound of roasted coffee."

He further stated that the new program is "designed solely as an emergency measure to avoid a critical shortage of coffee during the coming winter."

Steel Industry—The steel industry, confronted by union demands and hampered by Governmental price policies, gave evidence last week of putting up a solid front which may soon result in a bitter fight to the finish in what it considers to be fair play, according to the "Iron Age," national metalworking paper, in its summary of the steel trade for the past week. The somewhat surprising and very unusual departure of steel companies from individual or separate announcements and pronouncements to large advertisements and national radio talks sponsored by the American Iron & Steel Institute is apparent warning of girding for a consolidated showndown.

Along the wage-price front the steel industry has practically told the Government that until the long-overdue and greatly needed price adjustment is made by OPA, there will be no negotiations with the union, or at least to engage in such would be more than futile. Chester Bowles, OPA Administrator, the magazine states, is expected this week to announce the policy which he will take in granting steel price adjustments to cover accumulated material and labor costs.

The expected OPA announcement may possibly be in the form of a percentage increase in steel prices, the distribution of which would be worked out by the OPA Steel Industry Advisory Committee, composed of top heads in the industry. The number of promises and counter-promises made with respect to steel price adjustments over the past 60 days, none of which have been fulfilled as yet, has served to make the present steel price-wage situation a last-ditch controversy.

A by-product of the united and militant stand of the steel industry may be an opening for Philip Murray, CIO and USWA head, to actively push for industry-wide collective bargaining, a goal which he has sought for some time, the "Iron Age" points out. Some members of the steel industry are known to favor industry-wide bargaining, while others have favored individual company negotiations.

In the background of the conflict in the steel industry over the question of wages and prices is the probability of an industry-wide strike by the end of this month or early in December, following the tabulation of votes. Since the industry has abandoned its lamb-like attitude in public and since Philip Murray has taken the position that his union wants a wage increase "without dickering or compromise," it does not take much speculation to anticipate some type of steel production shutdown because of strikes.

The return of steelmaking operating rates this week to pre-coal strike levels is allowing many producers to begin working down a huge backlog of business. On the other hand, incoming orders in the past week have increased in volume. Any progress made because of the higher steel operating rates will have little effect on improving deliveries on orders placed at this time because most mills have been keeping in their pockets orders which could not be scheduled.

The scrap situation has again become tighter this week with supplies harder to get and with prices straining at ceiling levels. The dearth of No. 1 heavy melting scrap has caused some sentiment in the trade to consider asking for a 10% increase in the ceiling price of this item.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 94% of the steel capacity of the industry will be 82.4% of capacity for the week beginning Nov. 19, compared with 80.4% one week ago, 65.1% one month ago and 95.4% one year ago. This represents an increase of 2.0 points or 2.5% above that of the previous week.

This week's operating rate is equivalent to 1,509,300 tons of steel ingots and castings, and compare with 1,472,600 tons one week ago, 1,192,400 tons one month ago and 1,716,200 tons one year ago.

Railroad Freight Loading—Carloadings of revenue freight for the week ended Nov. 10, 1945, total 838,218 cars, the Association

(Continued on page 2502)

Recommends Uniform Airway Bills of Lading

A. M. Strong, Chairman of the Committee on Uniformity in Documents and Practices of the Bankers' Association for Foreign Trade, Urges International Air Carriers Devise Airway Bills Which Will Convey Title to Goods and Be Suitable for Bank Financing. Also Recommends Clear Legal Definition of a Delivery Order and a General Internatonal Adapta- Legal Definition of a Delivery Order and a General International Adapta- Credits as Fixed by the International Chamber of Commerce.

Current problems of foreign trade financing were discussed at the annual meeting of the Bankers' Association for Foreign Trade held at the Hotel Hershey, Hershey, Pa. on Nov. 16. Mr. A. M. Strong, Vice-President of the American National Bank and Trust Company of Chicago, and Chairman of the Committee on Uniformity in Documents and Practices of the Bankers' Association for Foreign Trade, rendered a report on behalf of his Committee on various topics of pertinent interest to foreign traders and bankers.

A. M. Strong

In discussing the transportation of cargo by air and the financing of air shipments, Mr. Strong pointed out that no international conference on air transportation, with the exception of the convention held at Warsaw, Poland, in 1929, had given consideration to Air Shipping Documents. The Warsaw Convention, which prescribes a non-negotiable Airway bill, governs international air traffic between the United States and most foreign countries, and opinion was expressed by some air carriers that a negotiable Airwaybill would not be effective of the place of departure or arrival is situated in a country which adheres to the Warsaw Convention. Mr. Strong stated on behalf of his Committee that:

"Financial facilities are of paramount importance to the development of international air cargo. Bank financing, however, requires suitable documents conveying title to the goods. The non-negotiable Airwaybill presently used by air carriers does not meet the requirements of bank financing and the lack of proper documentation will create a serious obstacle to the development of international air cargo."

The Committee recommended that the international air carriers devise uniform negotiable and non-negotiable Airwaybills conveying title to the goods and suitable for bank financing; that the matter of air shipping documents be given consideration in international arrangements and that uniform laws be adopted with regard to international air cargo shipments and the documents relating to such shipments.

With regard to the Delivery Order, Mr. Strong stated that an analysis of the Committee revealed that the Delivery Order has come into general use between commercial houses and is tendered to banks as a document of title. It performs an important function and is found to be of great practical use; however, its legal standing as a document of title is questionable. There is no clear legal definition of the instrument although it may be upheld in common law as a contract to deliver the merchandise to the holder. It, therefore, is a useful commercial device without legal status with the possible exception of a Delivery Order issued by a steamship company in exchange for a bill of lading which is generally accepted as a continuation of the bill of lading.

The Committee suggested that the Delivery Order may be improved by making it irrevocable, by stipulating that delivery is to be made free of any payment, and by incorporating a statement that the goods are already in possession of the party on whom the order is issued.

Mr. Strong stated that the Uniform Customs and Practices for Commercial Documentary Credits fixed by the Seventh Congress of the International Chamber of Commerce are now adopted by the United States of America, Belgium, France, French Guiana, Germany, Italy, Mexico, The Netherlands, Netherlands West Indies, Rumania, Salvador, Sweden, and Switzerland. Negotiations are under way by the American Section of the International Chamber of Commerce in other Latin American Republics.

The Uniform Customs and Practices are now made a part of Export Letters of Credit issued or advised by American banks, by using the following clause:

Unless otherwise expressly stated, this Credit is subject to the Uniform Customs and Practices for Commercial Documentary Credits fixed by the Seventh Congress of the International Chamber of Commerce and certain guiding provisions.

Mr. Strong reported that the Committee on Uniformity in Documents and Practices made a study of Interbank Guaranties tendered when documents do not conform to the terms of the Letter of Credit. The Committee recommended a uniform procedure and standard forms of guaranties.

Other topics covered in Mr. Strong's report were: Acceptances as Borrowed Invested Capital, Through Bills of Lading from Mexico, Special Clauses in Letters of Credit, and Withholding Tax on Interest Received for Account of Foreign Residents.

N. Y. Reserve Distributes Farm Credit File

A farm credit file, consisting of a special folder and various forms and agreements designed to enable small banks to improve their handling of credit, is being distributed by the Federal Reserve Bank of New York. Planned particularly for the agricultural districts, the service is extended to banks in Connecticut and New Jersey as well as New York. Allan Sproul, President of Federal Reserve Bank of New York, explained in a letter accompanying the file that the "use of a credit file will not guarantee the quality of the loans made; that will still depend upon the judgment of the individual banker and his directors. However, the information which should be found in a properly maintained credit file, together with the banker's knowledge and judgment, should enable a bank to serve adequately the credit needs of its community and to grant borrowers the credit to which they are entitled without exposing the bank to undue risks."

Removal of Reg. W Controversial Subject

The Retail Credit Institute of America, which represents more than 1,000 retail merchants in 44 States, has sent a petition to President Truman asking that Regulation W, the Federal Reserve Board's Consumer Credit Control, be ended immediately, on the ground that the measure was intended to meet the exigencies of wartime and was now jeopardizing the future of thousands of small merchants. The question is not one which has met with wholehearted agreement, considerable controversy existing among Chicago bankers, economists, credit men and merchandisers, some of whom have expressed endorsement, however, of the Institute's action, according to a special dispatch from Chicago to the New York "Times," Nov. 11.

A spokesman for the Federal Reserve Bank of Chicago stated that the regulation is constantly under study by the governors of the Federal Reserve Board, but he added that he had no idea when it might be lifted. Harry C. Hausman, secretary of the Illinois Bankers Association, according to the "Times" made the statement that Regulation W was a wartime control which should now be eliminated because the need for the curb was over and it represented an unnecessary piece of bureaucratic control as long as it remained. If removed, business should police itself on credit extension, Mr. Hausman said, and recalled 1939 when automobiles were financed on a "practically nothing down basis and three years to pay." The trade soon learned, he said, that this was an unhealthful situation.

A leading bank economist, the "Times" continued, thought that the question of continuing the regulation "not too important at present." No dire need exists for consumer credit extensions, he said, explaining that emphasis should be put on production "to get things rolling fast."

M. J. Spiegel Jr., President of Spiegel, Inc., whose former business policy of full credit was particularly hard hit by the regulation back in 1942, said the situation today is "entirely different."

The institute is "talking through its hat" when it warns of the danger of small merchants, he said. Sales volume of stores today is not limited by the regulation, but by lack of merchandise. When merchandise flows freely, the curb probable will be eliminated, he predicted.

H. H. Faulstitch, President of the Chicago Association of Credit Men, said his organization had no well-defined policy on the regulation.

"Because of the widely diversified interests of the Association's membership, including manufacturers, wholesalers and financial institutions, opinions of our membership are naturally divided," he said. "Some members favor complete repeal of the curb, some wish retention, and others favor varying degrees of modification."

Civil Service Pay Rise Approved by Senate Group

Legislation to raise the pay of Civil Service employes 20% won approval of the Senate Civil Service Committee, Nov. 15, the Associated Press reported from Washington. Left for further consideration were proposals to increase Congressmen's salaries from $10,000 to $20,000, Cabinet members from $15,000 to $20,000 and Supreme Court Justices from $20,000 to $30,000. Although the bill provides a 20% increase "for offices or positions in the Executive Branch," Senator Mead expressed the opinion that this would not apply to Cabinet members.

N. Y. Stock Exchange Considering Permissive Incorporation of Business of Firms

The question of the advisability of permitting "a presently existing member firm "of the New York Stock Exchange to incorporate its business is under consideration by the Board of Governors of the Exchange. In advices to members of the Exchange under date of Nov. 15 Emil Schram, President made available a copy of a memorandum dated Nov. 5 outlining in general language the restrictions and conditions which might be imposed by the Exchange should permissive incorporation be permitted." In the memorandum it is stated.

Briefly summarized, it is contemplated that the Exchange would impose such restrictions as it deems necessary to continue to exercise the same control over the corporation, its officers, directors, stockholders and employees as it now does over the member firm, its partners and employees. The corporation would be subject to at least as rigorous regulations for the protection of the public as the member firm is. In addition, there would be initially greater capital requirements and required bonding of officers.

Only organizations engaged mainly in the securities business, as brokers, dealers or underwriters, could be member corporations. Therefore, banks, investment trusts and insurance companies would not be eligible. Also, non-member securities corporations would not be eligible if their stock is publicly held and they are therefore not in effect partnerships in corporate form. The Exchange has no idea of the number of non-member corporations that would be interests in Exchange memberships and could meet the Exchange's restrictions and requirements.

Conditions under which permission incorporation would be permitted are outlined as follows in the memorandum.

Customer Protection

Initially a member corporation would have to have a paid-in capital and surplus 20% greater than that required of a member firm.

The maintenance capital requirements would be the same as those presently imposed on member firms.

The corporation would be required to have a so-called surprise audit once in each year, submit three answers each year to financial questionnaires, and be subject to an annual visit by an Exchange examiner, which requirements are the same as those imposed on member firms.

The corporation would have to bond its officers, which is a requirement that it is not possible to impose upon firms with respect to their general partners.

A corporation organized under the laws of a state other than New York must subject itself to such salutory restrictions, similar to those imposed by New York law, on the conduct of corporate affairs, payment of dividends, loans to stockholders, etc., as may be presecribed by the Exchange.

Control by Exchange

A corporation may have voting and non-voting stock, corresponding to general capital and limited capital in a partnership.

Voting stock must be at least 55% of the capital in line with the Exchange requirement that general capital in a member firm be as least 55% of the total capital.

Voting stockholders and principal officers must be members or allied members of the Exchange and as such must devote the major portion of their time to the business of the corporation.

At least one voting stockholder must be a member of the Exchange. His stockholdings must be percentagewise at least equal to the interest now required to be held by an Exchange member who is a general partner in a member firm.

Non-voting stockholders who are not members or allied members must be approved in the same fashion as limited partners in member firms. Also, directors and junior officers must be passed upon by the Exchange.

The Exchange would reserve the right to limit the number of stockholders.

A stockholder in one member corporation cannot be a stockholder in another member corporation or a partner in a member firm.

Preferred stock could not receive prereferential dividends in excesss of 6%. It may receive additional dividends out of earned surplus on a parity with or after dividends on common stock.

The stock of a withdrawing, deceased, suspended or expelled stockholder must be offered to the corporation or its remaining stockholders.

A member corporation would be deprived by the Exchange of its privileges if the corporation's stock should be acquired by anyone other than a member, allied member, or the estate of a deceased stockholder.

A member or allied member would be required to sever all connection with the corporation, and cease to be a stockholder, if the Exchange found it was not in its best interest that the connection be continued. This is in line with the present power of the Exchange to order the discontinuance of any connection of a partner after coming to such a conclusion.

Every employee of the corporation whose duties correspond to those of a registered employee would have to be approved by the Exchange, which is presently the case with such an employee of a member firm.

Any stockholder, officer, or director, who is a member or allied member, would be liable to the same discipline and Exchange penalties for the acts of the corporation as for his own acts.

Redemption Profits Tax Refund Bonds

The Treasury Department announced on Nov. 10 the procedure for the redemption of excess profits tax refund bonds, on or after Jan. 1, 1946, as authorized in the recently enacted Tax Adjustment Act of 1945. All of the outstanding tax refund bonds become eligible for redemption on that date.

Owners who desire payment on Jan. 1 are urged to surrender their bonds immediately. Others are requested to surrender their bonds well in advance of any later payment date desired.

Full instructions on how to submit the bonds for redemption will be mailed within the next few days to all owners of record, of whom there are approximately 70,000. Assignment of the bonds to the Secretary of the Treasury for redemption is to be made by executing a form on the back of the securities, unless otherwise specifically instructed. They are then to be forwarded to the Treasury Department, Fiscal Service, Division of Loans and Currency, Washington 25, D. C., or to any Federal Reserve Bank or branch.

Although eligible for redemption Jan. 1, the bonds continue to be non-negotiable until six months after the formal ending of World War II hostilities. Bonds to the amount of $1,112,536,347.70 were outstanding on Oct. 31. They are non-interest bearing.

The Financial Situation

(Continued from first page)

remedy at first proposed was deliberate control, and where indicated, reduction of production accompanied by a redistribution of income. That the remedy obviously poorly fits the alleged condition, indeed at bottom appears at times to be scarcely related to it, is but a reflection of the strange thinking of that time.

But it was not long before the defeatist nature of such programs became clear, and those who had advocated them were obliged to wince under the "economy of scarcity" shafts which were directed at them. The plowing under of cotton and the killing of little pigs could not long be good political fodder. The adoption of the Keynes-Hansen idea that the state itself must provide investment opportunities for the "savings" of the community, indeed that it must go even further and by compulsion if need be see that the "savings" of the community were continuously invested, followed. Precisely how it happens that politicians can find worth-while investment for idle funds when private business can not is not well explained. The answer really seems to be that those who reason in this way are not too much interested in the nature of the investment into which the funds are to be poured, so long as it is something that tends to keep men going through the motions, more or less, of work and drawing wages therefor.

The "Switch-Over"

The development of this general line of argument provided the program makers with an opportunity to drop their worship of scarcity and go over to the notion of an "economy of abundance"—the abundance to be supplied directly or indirectly by government expenditures — whether for leaf raking or something more substantial. Whether the "investment" of the government created anything particularly desired by the community appears to be a matter of secondary interest —or at all events, whether the products of such activities are sufficiently prized by the people to lead them voluntarily to pay what they cost is apparently not given any consideration at all. At any rate the doctrine makers now shout from the house tops a doctrine of abundance with government guaranteeing the abundance.

It is not easy to understand the rationale which leads these same political big-wigs to carry over into this economy of abundance certain relics of their older ideas of economic scarcity, or at all events of scarcity of economic opportunity, but they have obviously done so. Otherwise the insistence upon the various devices designed to "spread the work" would not find place in the present programs as it does. Of course, the political powers that be leave demands for the more extreme shortening of the work week to the unions, as they do matters which definitely and usually directly restrict output, and were designed in the first place to oblige employers to hire more men. It is, nonetheless, plain enough that those who shape current political policies and presumably coin or control the coinage of political slogans are far from wanting sympathy with the demands of the union leaders. The explanation doubtless is that most of the political leaders are unaware of these underlying inconsistencies—and, in any event, are much more interested in the political value of programs they design and promote.

Higher Wage Theories

The official interest in higher wages is from a political viewpoint understandable enough, and probably from even a logical viewpoint somewhat less a mystery than some of the other doctrines now being preached. If one assumes — as of course, thoughtful observers of economic inter - relationships never would or could assume —that higher wages insure larger demand for the products of labor, and thus tend to place an economy of abundance upon a more certain footing, it follows naturally enough that high and higher wages are sound economics. Here the question is that of placing consumers in a position to have what they already much want. Again, we must point out that no such end is really promoted in so simple a way as merely raising wages — even when productivity is increased and employers can "afford" higher wages. Under an economy of real competition there is no reason to worry about unduly high profits, and ordinarily no need to suppose that high profits will not be promptly expended and thus create demand for goods — assuming conditions which encourage such expenditure. There is no good reason why any particular group of wage earners should enjoy all the fruits of progress which they had no particular part in effecting. The public is due that reward, and under competition gets it. Nonetheless the higher wage doctrines of the day have a sort of superficial plausibility, which enables one to understand how it happens that so many followers can be attracted to them — even apart from the obvious fact that there are a great many in the community who have good, if selfish, reasons to be attracted to it.

A Strange Doctrine

But the current "high consumption economy" preachments of the day often appear to go far beyond any of this. They seem to attain a sort of abstract adoration of consumption for its own sake. It is at times as if they insist that the public must be taught how to consume more and persuaded to manage somehow to want to consume more. What these prophets appear sometimes to be saying is that we must teach ourselves to assimilate more and more of the goods and services we are in a position to produce — in order that we may have the exquisite pleasure of producing them for the purpose. It is a strange doctrine.

Joint Palestine Study Planned by U. S. & Britain

It was announced simultaneously on Nov. 13 in Washington and London that the United States and Great Britain would participate in establishing a joint Anglo-American committee to examine the whole Palestine problem, according to Associated Press advices. It was reported that the British had suggested the creation of the committee after President Truman had proposed admission of an additional 100,000 Jews to Palestine, a figure which Prime Minister Attlee had previously been reported as considering too high.

The White House released a statement by President Truman disclosing the issues involved between the two governments leading up to the formulation of the plan for a joint committee. Following is the text of the President's statement, as given by the Associated Press:

Following the receipt of information from various sources regarding the distressing situation of Jewish victims of Nazi and Fascist persecution in Europe, I wrote to Mr. Attlee on Aug. 31 bringing to his attention the suggestion in a report of Mr. Earl G. Harrison that the granting of an additional 100,000 certificates for the immigration of Jews into Palestine would alleviate the situation. A copy of my letter to Mr. Attlee is being made available to the press. I continue to adhere to the views expressed in that letter.

I was advised by the British Government that because of conditions in Palestine it was not in a position to adopt the policy recommended, but that it was deeply concerned with the situation of the Jews in Europe.

During the course of subsequent discussions between the two Governments, it suggested the establishment of a joint Anglo-American committee of inquiry, under a rotating chairmanship, to examine the whole question and to make a further review of the Palestine problems in the light of that examination and other relevant considerations.

In view of our intense interest in this matter and of our belief that such a committee will be of aid in finding a solution which will be both humane and just, we have acceded to the British suggestion.

The terms of reference this committee has agreed upon between the two Governments are as follows:

1. To examine political, economic and social conditions in Palestine as they bear upon the problem of Jewish immigration and settlement therein and the well-being of the peoples now living therein.

2. To examine the position of the Jews in those countries in Europe where they have been the victims of Nazi and Fascist persecution and the practical measures taken or contemplated to be taken in those countries to enable them to live free from discrimination and oppression and to make estimates of those who wish or who will be impelled by their conditions to migrate to Palestine or other countries outside Europe.

3. To hear the views of competent witnesses and to consult representative Arabs and Jews on the problems of Palestine as such problems are afected by conditions subject to examination under Paragraphs 1 and 2 above and by other relevant facts and circumstances and to make recommendations to His Majesty's Government and the Government of the United States for ad iterim handling of these problems as well as for permanent solution.

4. To make such other recommendations to His Majesty's Government and the Government of the United States as may be necessary to meet the immediate needs arising from conditions subject to examination under Paragraph 2 above, by remedial action in the European countries in question or by the provision of facilities for emigration to and settlement in countries outside Europe.

It will be observed that among the important duties of this quesmittee will be the task of examining conditions in Palestine as they bear upon the problem of Jewish immigration.

The establishment of this committee will make possible a prompt review of the unfortunate plight of the Jews in those countries in Europe where they have been subjected to persecution, and a prompt examination of questions related to the rate of current immigration into Palestine and the absorptive capacity of the country.

The situation faced by displaced Jews during the coming winter allows no delay in this matter. I hope the committee will be able to accomplish its important task with the greatest speed.

The President's statement was followed by the text of his letter to the Prime Minister on Aug. 31, 1945:

"My dear Mr. Prime Minister:

"Because of the natural interest of this Government in the present condition and future fate of those displaced persons in Germany who may prove to be stateless or non-repatriable, we recently sent Mr. Earl G. Harrison to inquire into the situation.

"Mr. Harrison was formerly the United States Commissioner of Immigration and Naturalization and is now the representative of this Government on the Intergovernmental Committee on Refugees. The United Kingdom and the United States, as you know, have taken an active interest in the work of this committee.

"Instructions were given to Mr. Harrison to inquire particularly into the problems and needs of the Jewish refugees among the displaced persons.

"Mr. Harrison visited not only the American zone in Germany, but spent some time also in the British zone, where he was extended every courtesy by the Twenty-first Army headquarters.

"I have now received his report. In view of our conversations at Potsdam I am sure that you will find certain portions of the report interesting. I am, therefore, sending you a copy.

"I should like to call your attention to the conclusions and recommendations appearing on page 8 and the following pages—especially the references to Palestine. It appears that the available certificates for immigration to Palestine will be exhausted in the near future. It is suggested that the granting of an additional 100,000 of such certificates would contribute greatly to a sound solution for the future of Jews still in Germany and Austria, and for other Jewish refugees who do not wish to remain where they are or who for understandable reasons do not desire to return to their countries of origin.

"On the basis of this and other information which has come to me I concur in the belief that no other single matter is so important for those who have known the horrors of concentration camps for over a decade as is the future of immigration possibilities into Palestine.

"The number of such persons who wish immigration to Palestine or who would qualify for admission there is, unfortunately, no longer as large as it was before the Nazis began their extermination program. As I said to you in Potsdam, the American people, as a whole, firmly believe that immigration into Palestine should not be closed and that a reasonable number of Europe's persecuted Jews should, in accordance with their wishes, be permitted to resettle there.

"I know you are in agreement on the proposition that future peace in Europe depends in large measure upon our finding sound solutions of problems confronting the displaced and formerly persecuted groups of people. No claim is more meritorious than that of the groups who for so many years have known persecution and enslavement.

"The main solution appears to lie in the quick evacuation of as many as possible of the non-repatriable Jews, who wish it, to Palestine. If it is to be effective, such action should not be long delayed.

"Very sincerely yours,.

"HARRY S. TRUMAN."

In London, Foreign Secretary Ernest Bevin stated, according to Associated Press advices, that both Britain and the United States favored an interim settlement of the Jewish question pending the submission of a proposed permanent solution to the United Nations Organization. He asked members of parliament "in this crisis in the world" not to pursue racial antagonism and said:

"We have had so many wars, so much bloodshed, over racial antagonism that this house will help me to keep it under check in order that I may find a solution."

Britain's labor government, he said, is satisfied that the course it plans to pursue on the Palestine problem in the immediate future is "not only in accordance" with its obligations, but also is in the best interests of both Jews and Arabs. Britain governs Palestine under a mandate from the old League of Nations.

Nothing was mentioned about establishing a national home for the Jews in Palestine, the Associated Press added.

McCloy and Lovett Resign

It was announced on Nov. 14 that John J. McCloy, Assistant Secretary of War had submitted his resignation to President Truman, effective Nov. 24, which the President had accepted, without, however, naming a successor to Mr. McCloy. Robert A. Lovett, another Assistant Secretary of War, has also submitted his resignation, but this has not yet been acted upon, the Associated Press reported from Washington. Mr. McCloy recently returned from a mission to the European and Pacific theaters, undertaken in connection with occupation problems. In accepting his resignation, President Truman wrote, according to the Associated Press: "You have rendered a most valuable service to me, to my lamented predecessor, and to your country during the past five eventful years."

Gen. Eisenhower Urges Military Training

Expressing the opinion that trained man power and technological advancement are "our greatest assurance of keeping the peace for which we fought," Gen. Dwight D. Eisenhower appeared on Nov. 15 before the House Military Affairs Committee in support of President Truman's request for universal military training, the Associated Press reported from Washington, on that day. The General stated emphatically that he did not consider another war inevitable. He asserted however that, "there will never be a war between Great Britain and the United States," and, regarding the only other nation in a position to compete militarily with the United States, declared that he believed Russia's to be one of friendship for this country. "There is in Russia," he said, according to the Associated Press, "a desperate and continuing concern for the lot of the common man, and they want to be friends with the United States."

The text of Gen. Eisenhower's prepared remarks, according to the Associated Press, was as follows:

I understand that the official views and detailed plans of the War Department are being presented to you by others. I hope you will allow me to speak, not as a representative of the War Department but as a citizen and as a professional soldier to whom has been given a peculiar opportunity to participate in the greatest effort ever made by our citizen-soldiery. My personal views are largely based on that unique experience.

The men who won the victories of Africa, Sicily, Italy, France and Germany were able to do so solely because of their individual and unit-training — their ability to work as a team. The long periods spent in training camps in the United States and in England were essential to the perfection of this teamwork. Thereafter, brief battle-hardening, and our teams were superb! Certain phases of this training are highly technical, involving radar, signal communications, air operations, construction, transportation and ordnance. All this work is interdependent, and each part is vital to success. All of it was minutely geared to an equally complex schedule of tactical ground force movements which required perfect unit-training and above all—timing.

Time has always been of the essence in warfare but never was it more essential than in our most recent war. With the introduction of atomic and electronic warfare and the astounding advances being made almost hourly in aerial warfare, the tempo is increasing in geometric progression. If war comes to us again the fact seems inescapable that we will not have time to train units before we are faced with the final issue of defeat or victory. Certainly it would be unconscionable to gamble on a fortuitous recurrence of the time to prepare bought by the blood of our allies in 1917 and in 1942.

We must be prepared on M-day —the day the enemy strikes—or we may never be prepared to avert defeat at the hands of any aggressor who uses against us the weapons of the future. Our weapons must be better than theirs on that day, our resources must be promptly available and above all our manpower must have already been trained. This training must be given in time of peace. Without a standing army of prohibitive size this can be accomplished by training our civilian reserve, our citizen army. The most democratic way to do this is by universal military training, in which every able bodied young man is fitted to discharge his duty to protect our freedom. This has been the ultimate solution in every major military crisis this country has faced. The only difference now, and the great lesson of World War II, is that it must be done before not after the first shot is fired.

I understand that to be the issue before this Committee. Although I know the general plans, I have not had time to familiarize myself with all the working details of the War Department's plan for universal military training, nor am I familiar with the testimony already presented to this Committee. Howerer, I am familiary with the President's message and with the Wooldrum Committee report. I cannot state too emphatically by concurrence with the recommendations contained in those documents.

On the basis of my obligation to the 3,000,000 Americans that served under me in Europe, I strongly urge their early adoption. Upon the expiration of selective service we should be prepared to commence the training of young men who did not form a part of the armed forces in this war. Although the veterans of this war constitute at this moment a splendidly trained reserve, we must keep it constantly and currently reinforced by younger increments trained in all the most advanced techniques which research and development in the technology of warfare are bringing forth at such a rapid rate. We must train them to avert World War III, not to refight World War II.

I believe that every combat leader in our armed forces agrees that success is possible only when the mass of the army is composed of the younger men. They are more readily adaptable to combat conditions and possess more vigor and dash. Certainly, the technical services must comprehend a high proportion of younger men who are capable of mastering the radically new techniques of future warfare. Therefore, it is a matter of necessity as well as fairness to add increments of currently trained young men to the civilian reserve. The alternatives are the criminal sacrifice of untrained young, men, or calling on unfair proportions of older men who have already done their duty. In either event we would be without the services of trained technical specialists who will only be found among the younger men.

I have been privileged to represent the United States in a responsible position in the armed forces of the United Nations. In this capacity I am intimately familiar with the attitude of the leaders of the other nations to the armed forces of the United States. This familiarity assures me that in their minds there exists no fear of our motives in keeping ourselves strong. It is my personal opinion that the greatest single motivating force for world peace today is the organized military potential of the United States—its resources, its technological advancement and its superbly trained manpower.

This organization is being demobilized at an unprecedented rate, but its potential for the maintenance of peace will continue so long as the world is convinced of our willingness and ability to vitalize it in time to meet any threat of aggression from any other power.

This is our greatest assurance of keeping the peace for which we fought. Far from being contrary to the purposes and intent of the United Nations Organization, I consider it to be essential to the success of that organization. I know of no better or more democratic way to demonstrate our willingness and ability than to adopt now a program of universal military training. It is eminently fair to our citizen army who fought and won this war in two ways: First, it is the best way of assuring them that they did not fight in vain; second, it will relieve them in the shortest possible time of continuing to bear the burden, as the current trained civilian reserve, of defending the peace.

Gentlemen, I have heard many arguments about the desirability or undesirability of universal military service from a moral, educational and religious standpoint. These factors have always been of the greatest concern to me in the discharge of my functions of command. There is no question but that the sum-total of these values makes up the very essence of the thing we fought to preserve— our American way of life. But the facts of today must be faced. The preservation of our way of life in a world which twice within a single generation has fought to virtual exhaustion depends squarely upon the national security. That is a truism.

I sincerely believe that the only practicable way to assure the national security is by peacetime military training and that this must be universal. No practicable alternative, that I have heard of, has ever been suggested. Therefore, I believe arguments as to the incidental disadvantages or benefits to be foreign to the main issue. I feel completely confident that the Congress can provide all the necessary safeguards to prevent abuses of a method forced upon us by a necessity which must be faced.

I feel sure that no true American would be willing to take on his own shoulders the awful responsibility for actively prohibiting all training and thus leaving our country defenseless and naked before a future enemy armed with the weapons of that day. But our fighting forces in war are always made up of civilians, so a failure to provide for the training of the civilian reserve amounts to nothing less than condemning us to such a state of helplessness. A large standing Army would certainly be much more objectionable on all of those grounds even if it were not economically impossible to maintain one of sufficient size without impoverishing the country.

An aspect of this whole problem that deeply concerns me is that of the rights and the best interests of the young men destined to receive the training. I wonder whether any honest opponent of peacetime training has any clear conception of the difference between the trained and untrained men on the battlefield? In terms of the larger issue of victory or defeat comparison is scercely possible, because in modern war it is not possible to win without training. But in the more personal matter of the individual's chances for survival I should say that the trained combat soldier has at least three times the chances of the untrained to live to become a veteran!

I have sincerely searched my mind on this whole problem! Through the past three-and-a-half years the picture of the progressive destruction of civilization which war brings was constantly before me. I keenly felt the burden of the terrible responsibility I bore. I shuddered particularly at the thought how close our own beloved country came to being afflicted with the same devastation and our own people with the same indescribable sufferings that came to the peoples of Eurpoe. I know that if it had not been for the time given us by the almost superhuman efforts of our Allies, we would not have been able to mobilize our resources or to train our men to avert disaster.

I know that the nature of the weapons available to future aggressors make it ridiculous to hope that we will somehow miraculously be given this same time again. Our resources must be already available, our weapons must be second to none in speed and effectiveness. This means that we must be preeminent in technical resarch and in industrial mobilization, and we must have a trained force large enough to make our resources and weapons instantly available for our needs.

Thus we will be a potent power to preserve the peace, and in position to act swiftly in our own preservation if the tragedy of war again appears. I do not see how we can escape the inexorable logic of the fact that if we are to attain and maintain this reasonable and necessary position we must have a trained reserve of citizens in being. This means that we must train them in peacetime.

Ford Demands Union Accept Responsibility

The Ford Motor Co., in a letter to Richard T. Leonard, United Automobile Workers Ford director, stated that four years of a union shop and dues check-off contract had not brought peaceful relations, and insisted that the UAW affiliate of the Congress of Industrial Organizations give "effective guarantees against work stoppages and for increased productivity" by union workers. This was indicated in Associated Press Detroi advices, Nov. 18, which stated that the Ford company informed the union that unless it recognized and fulfilled "a responsibility of its own, the very future of the Ford Motor Co. is at stake."

Referring to the union's demand for wage increases, the letter said, according to the Associated Press:

"We do not believe that this is the time to attempt to settle on general wage increases. They would have to be based on guesses of what our volume of production and our costs are going to be. We feel a general increase such as you propose would amount to a very heavy mortgage on the future of all of us—the Ford Motor Co. and its employes alike."

Besides the proposal for what it termed "company security," the Associated Press continued, the Ford letter also proposed a provision requiring the union "to reimburse the company for any damages it may suffer by reason of violations of the provision prohibiting strikes and other interferences with production." The Associated Press advices added.

The management letter said the company currently is paying the highest wages in the car industry and "will pay higher wages whenever we are sure that we can pay them and still maintain this company as a sound and growing business."

It added that every dollar of the company's war profits already is committed to post-war expansion "and to gear our operations to sharp post-war competition."

"The company agreed in 1941 to the union shop and check-off provisions," said the Ford letter. "Its purpose in so doing was not only to give the union the benefit of membership and financial security, but to eliminate a great deal of friction, dispute and downright industrial strife.

"In return the company was assured by union representatives that it would receive greater security and that disturbances of the type then prevalent in other plants would be avoided.

"The peaceful relations have not materialized. The experiment has been an unhappy one. The records show, for example, 773 work stoppages since the signing of that contract in 1941.

"During this period, the cost to the company of maintaining the check-off system has been huge. Last year, for example, the company spent $2,814,078.36 in the Dearborn (parent plant) area alone to collect these dues and fees, and to pay more than 1,000 union men in the company's plants who spent all or part of their time handling union business.

"From August, 1941, through October 1945, the company collected for the union in dues, initiation fees and special assessments, a total of $7,799,924.65.

"Last year the union's income through the check-off system was $2,050,563.71.

"The result has been that the union has had membership and financial security, but the company has had no compensating security. This had become so serious that unless some provision can be arrived at in our negotiations to require the union to recognize and fulfill a responsibility of its own, the very future of the Ford Motor Co. is at stake.

"The company accepts the principle of union membership for its employes and collective bargaining with the union representatives. But if we are to reach production efficiency essential to our common objectives we must insist upon guarantees by the union against work stoppages and losses in productivity."

Election of Directors of N. Y. Federal Reserve Bank

The results of the election of directors of the Federal Reserve Bank of New York to succeed Warren W. Clute, Jr., class A director, and Carle C. Conway, class B director, whose terms expire Dec. 31, were made known as follows on *Nov. 16 by Beardsley Ruml, Chairman of the Board of* the Reserve Bank:

Howard A. Wilson, President, Citizens National Bank and Trust Company of Fulton, Fulton, N.Y., was elected by member banks in Group 3 as a class A director of this bank; and Carle C. Conway, Chairman of the Board and President, Continental Can Company, Inc., New York, N. Y., was reelected by member banks in Group 3 as a class B director of this bank. Each was chosen for a term of three years beginning Jan. 1, 1946.

Propose Free Circulation and Coinage of Gold

Senators Murray and Taylor of Senate Subcommittee on Mining and Minerals Announce That They Will Introduce Bill to Repeal Gold Nationalization Law and Restore Gold Coinage and Also Authorize President to Raise Gold Price.

It was announced on Nov. 13 by the Senate Subcommittee on Mining and Minerals Industry that a new bill designed to permit free circulation of gold will be presented to the United States Senate soon by Senator Glen Taylor (Idaho), for himself, and Senator James E. Murray (Montana).

Specifically, the bill provides for the following changes in existing rules governing the circulation of gold:

1. It will permit coinage of a $50 gold piece.

2. It will provide for free circulation of gold and the convertibility of gold with currency.

3. It will authorize the President to raise the price of gold above the present $35 per ounce figure.

4. It will permit persons tendering gold bullion to the mints to receive in return therefor either coined gold or currency, depending upon his wish.

Senator James E. Murray, coauthor of the bill, who is absent from Washington on official business, is chairman of the Mining and Minerals Industry Subcommittee of the Senate Small Business Committee as well as being chairman of the full committee. Senator Taylor is also a member of the subcommittee.

A companion bill is expected to be introduced in the House of Representatives by Congressman Clair Engle (California) in the near future.

The State of Trade

(Continued from page 2498)

of American Railroads announced. This was a decrease of 13,744 cars, or 1.6% below the preceding week this year, but 1,286 cars, or 0.2% below the corresponding week of 1944. Compared with a similar period of 1943, a decrease of 9,754 cars, or 1.2% is shown.

Electric Production — The Edison Electric Institute reports that the output of electricity increased to approximately 3,948,024,000 kwh. in the week ended Nov. 10, 1945, from 3,889,293,000 kwh. in the preceding week. Output for the week ended Nov. 10, 1945, however, was 10.2% below that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 176,200,000 kwh. in the week ended Nov. 14, 1945, comparing with 174,500,000 kwh. for the corresponding week of 1944, or an increase of 1.0%.

Local distribution of electricity amounted to 175,800,000 kwh. compared with 169,700,000 kwh. for the corresponding week of last year, an increase of 3.6%.

Building Permits in October—Volume of building permits rose sharply during October, with all sections of the country, except the Middle Atlantic, showing substantial improvement over a year ago. Permits issued in 215 cities last month, according to Dun & Bradstreet, aggregated $161,851,437, the highest for any previous month since May, 1930, when they totalled $174,000,000.

At New York permit valuations fell 66.0% to $20,486,894 from $60,329,467 in October last year, when the total was swollen by the filing of plans for numerous large post-war building projects.

Aggregate permit values for 215 cities during the first 10 months of this year rose 31.0% to $980,642,492, from $679,656,089 last year. New York with $181,526,222 for the cumulative period, continued 23.2% under a year ago.

Paper and Paperboard Production — Paper production in the United States for the week ending Nov. 10, was 97% of mill capacity, against 97½% in the preceding week and 91.3% in the like 1944 week, according to the American Paper & Pulp Association. Paperboard output for the current week was 97%, compared with 97% in the preceding week and 96% in the like 1944 week.

Business Failures Decline—In the week ending Nov. 15 commercial and industrial failures declined to the lowest number in five weeks, reports Dun & Bradstreet, Inc. Twelve concerns failed as compared with 17 in the previous week and 13 a year ago.

Small failures with liabilities under $5,000 outnumbered large failuers for the first time since June. These small failures jumped from none last week to seven in the week just ended and were more than twice the number in the corresponding week of 1944. On the other hand, large failures involving liabilities of $5,000 or more declined to a third those a week ago, five this week as compared with 17, and were half the 10 occurring in the same week last year.

Retailing accounted for one-third the week's failures and manufacturing for a quarter. No other trade or industry group reported more than two failures. As well, retailers and manufacturers were the only groups in which failures were more numerous this year than in 1944.

Five Canadian failures were reported, as compared with three in the previous week and none in the corresponding week of 1944.

Wholesale Commodity Price Index—Reflecting continued advances in farm products, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved sharply upward this week, reaching 182.06 on Nov. 10, the highest since it was started in 1932. The index closed at 181.56 on Nov. 13, marking a gain of 1.0% over a week previous, and a rise of 5.7% over a year ago when it stood at 171.70.

Continuing their upward trend, all grain futures, with few exceptions, reached new high levels for the season with wheat and rye selling at new highs for 20 years. Tightness of supplies and the belief that foreign requirements would be much larger than the trade had anticipated a short while ago were leading factors in the rise. Heavy trading in oats featured the largest turnover in futures markets for more than a year past. Corn futures held at ceilings despite a sharp increase in the movement of new corn from the country. Flour business was quiet with prices firmer, reflecting the tightness in cash wheat. Large-scale Government buying of flour was looked for in the near future. Hogs remained firm at ceilings and clearances were good.

Extending the upward movement of the past few months, cotton prices responded to inflation talk and speculative buying during the past week-end rose to new high ground for the season. Spot markets were active with demand for better grades of medium staples exceeding the supply in most markets. The movement of cotton into the Government loan and purchase stocks thus far this season has been on a very limited scale due to the recent sharp advance in values.

Very little trading occurred in domestic wools in the Boston market last week, and few bids were noted as a result of the request of the Commodity Credit Corporation that handlers seek bids on up to 10% of their holdings of domestic wools. Sales of spot foreign wools were slow. Foreign wool buying in Montevideo resulted in firmer prices in that market. There were few orders reported placed in South American markets by U. S. buyers. Domestic wool appraisals for purchase by the CCC were larger. A total of 6,199,158 pounds for the week ending Nov. 3 brought the aggregate appraisals for the season to date to 287,108,977 pounds.

Wholesale Food Price Index Attains New Peak—The Dun & Bradstreet wholesale food price index rose 1 cent further this week to reach a new peak since 1920. The Nov. 13 figure, at $4.15, represents a rise of 2.5% over last year's $4.05, and of 3.0% over the $4.03 recorded on the like date two years ago.

There were no declines during the week. Advances occurred in flour, rye, oats and eggs. The index represents the sum total of the price per pound of 31 foods in general use.

Retail Hardware Sales Up in September, Jobber Sales Off—Sales of independent retail hardware stores, in all parts of the United States, had an average gain of 7% in September, 1945, over volume for the same period a year ago. "Hardware Age" reports, in its every-other-week market summary. Sales that month averaged 2% more than in August, 1945. Cumulative sales for the the first nine months of 1945 showed a 10% gain in volume over the first three-quarters of 1944.

Sales of wholesale hardware distributors, reporting on that phase of their operations, indicated an average dollar volume decline of 8% in September of this year from the same month last year. Sales for the first nine months of this year averaged 1% over that period in 1944. Inventories on hand as of Sept. 30 had a dollar value of 5% more than those of the same date last year, and showed a 2% gain over Aug. 31, 1945. Collections on accounts receivable dropped from September, 1944, but were better than in August, 1945.

Retail and Wholesale Trade—Large shopping crowds, intent on holiday purchasing, lifted retail volume for the country as a whole last week slightly above a week earlier; volume was moderately above the high level of a year ago, according to Dun & Bradstreet, Inc., in its weekly review of wholesale and retail trade. Armistice Day volume was good; it was slightly over a year ago. Inventories in most stores remained low in particular lines.

A high level of demand for better quality merchandise was apparent. Cold snaps throughout the country pushed fur coat volume upward; mink coats increased in volume over the previous week and cloth coats continued to sell in large quantities. Women's suits of all types remained as leading selling items. The heavy demand for men's suits and furnishings continued, raising the volume well above a year ago.

Lingeries, suitable for Christmas gifts, was heavily purchased. Sales volume in women's handbags continued high and the promotion of gloves and scarfs stimulated sales. Toilet articles, cosmetics, and costume jewelry were fairly plentiful and much gift buying was done in these departments.

House furnishings department were very active with china and glassware chiefly in demand. Blankets increased somewhat in supply, while stocks of mattresses, springs, and towels remained limited. Furniture dealers reported volume under a year ago. Hard goods stocks are increasing with the reappearance of such things as electric irons, clocks, and metal toys. Cameras and films have become more easily available.

Retail food volume was about 5% over a year ago and remained even with last week. Stocks of fresh fruit continued inadequate in some localities. Some retailers again limited sales of scarce canned foods, while meat and poultry were available in greater quantities.

Retail volume for the country was estimated at from 7 to 11% over a year ago. Regional increases were: New England 5 to 9, East 8 to 12, Middle West 4 to 9, Northwest 6 to 10, South 9 to 12, Southwest 7 to 11, Pacific Coast 9 to 13.

Wholesale volume last week was maintained at a level equal to the previous week and was slightly above that of the corresponding week a year ago. Buyers continued to swell the large markets in search of merchandise. The supply situation remained low in many lines. Deliveries continued slow. New order volume generally increased.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Nov. 10, 1945, increased by 13% above the same period of last year. This compared with an increase of 10% in the preceding week. For the four weeks ended Nov. 10, 1945, sales increased by 12% and for the year to date showed an increase of 11%.

Retail trade volume in New York last week stimulated by cooler weather and Christmas gift shipping moved into higher ground. In the week many buyers flocked to wholesale markets with the object of obtaining merchandise for immediate sale, but met with disappointment. However, orders on spring goods for January-March delivery were placed. With supplies at a low level, the system of allotments continues to rule. An increase in wholesale and retail food sales was noted. the past week over the preceding week as a result of the rising demand for holiday luxuries.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to Nov. 10, 1945, increased 13% above the same period of last year. This compared with an increase of 13% in the preceding week. For the four weeks ended Nov. 10, 1945, sales rose by 13% and for the year to date increased by 13%.

Observations

(Continued from first page)

Are the following items possible portents of trouble ahead for the stock market? (1) The stock split-up is back as a leading bull tip—supposedly a single piece of paper is worth less than the sum of its divided parts. (2) Country club conversation is no longer occupied with golf, gin, or sex; but with stock prices. (3) Trading in Southern Pacific was temporarily suspended last week because of a wild scramble of buying orders. (The opening in Anaconda was similarly delayed for a half-hour in 1929 when the price was $125; three years later buyers of the stock were scarce at $3 a share.)

* * *

The several fiscal policy-makers and spokesmen of the Administration really ought to get together! Intra-government inconsistency is again highlighted by SEC Chairman Purcell's demonstration of the paucity of capital financing in his address before the National Association of Securities Commissioners (published in full in this issue of the Chronicle), wherein he prophesied a continuation of the situation existing since 1941, since when most of the $8 billion of corporate financing has been for refunding purposes. For this dearth of new capital issues in relation to the aggregate of investment funds seeking outlets, has its causes rooted in the Administration's past and prospective policies on such matters as taxation and labor-and-prices, and constituting the strongest bull tip on the inflationary stock market flies directly in the face of Mr. Marriner Eccles' continuing worry over continuing appreciation of capital values.

* * *

Stock market inflation is certainly enhanced also by the discouragement to short selling; caused not only by the SEC-instigated trading rules, but caused equally by the letter and interpretation of the tax law. For under the exclusion of long-term profits on short sales from the capital gains provision, which gives the relief of a 25% tax ceiling on long-term profits, the resulting enormous contribution to the tax "kitty" estops speculators above the lowest brackets from so functioning as a market stabilizer.

* * *

The OPA's action in ordering a 15% rise in the price of low-priced clothing is a welcome, although very small step in the right direction. The modification is without effect on all but the lowest quality apparel manufacturers. With the existing MAP surcharges, and with their inability to buy low-priced piece-goods, manufacturers of shirts and underwear will still have to run at a loss or go out of production.

* * *

The United Automobile Workers division of CIO in a formal statement charges that the Ford Company "has joined the conspiracy of profit-swollen corporations to perpetuate *present starvation* wages. . . . The Ford workers are not making enough money to live on. The company cannot deny that fact." Irrespective of whether Ford is or is not able to make denial, this column is not so prohibited. And our rebuttal consists simply in a demonstration of the concurrent relative rises in wage rates and the cost of living. Whereas during World War One and thereafter until 1920 the increase in living costs outran wage rates, since 1939 the comparable figures evidence a rise in *real* wages. In the following tables, the index of wage rates for the earlier period applies to the construction and printing trades, and is taken from Statistical Abstract, U.S. Department of Commerce; the source for hourly earnings in the current period is the U.S. Department of Commerce; and the U.S. Labor Bureau Cost of Living Index is used for both periods.

	Wage Rates Skilled Labor	Cost of Living
1914	100	100
1915	100	101
1916	102	109
1917	107	128
1918	119	150
1919	137	172
1920	184	200

Index Numbers—1914 = 100.

	Aver. Hourly Earnings	Cost of Living
1939	100	100
1940	104	101
1941	115	106
1942	132	117
1943	149	124
1944	158	126
1945	(June) 161	(July) 130

Index Number—1939 = 100.

* * *

Perhaps the general assumption of an intense and prolonged boom in consumer durable goods should be viewed with some skepticism. The mere existence of huge savings will not be translated into consumption without the accompanying desire to spend them. Prohibitions against such spending may be induced by a variety of causes, as the fear of future radical style changes, recent demonstration of the surprising longevity of numerous articles, and the desire to correlate post-war buying with prospective income in lieu of one's nest-egg of savings. Recent surveys through the interview-technique conducted under the supervision of the Federal Reserve Board, to investigate the likely disposition of savings, revealed fear of the "rainy day" as the strongest motive, education as the next strongest, and the desire for consumer goods far behind.

Purchases by the $5,000-and-over group will be held down by the impact on them of the greatly increased taxes, with a consequent reduction from their 1941 level of "discretionary spending power."

In any event a large proportion of the buying will be handled on the installment plan. A recent survey conducted by "The Wage Earner Forum" of MacFadden Publications, Inc. resulted in 57% of those questioned stating that they would buy a home on credit, 51% in the case of refrigerators, and 35% for washing machines.

* * *

The question as to who will handle the installment finance business is highlighted by this week's initiation of a consumer finance plan jointly by 1,000 banks in 37 states. Although this arrangement overcomes previous obstacles from the banks' inability to serve dealers on a nationwide basis, it still leaves the consumer finance companies with the advantages of a cohesive group of operating units with uniform administrative policies, the ability to spread risks throughout their over-all nationwide volume, and highly specialized consumer "know-how." Despite competition for consumer (not dealer) paper from 8,000 of the 15,000 banks existing in 1941, the consumer credit companies—as C. I. T., Commercial Credit, and G. M. A. C.—in that year enjoyed their largest volume on record.

* * *

Coincidentally with our Administration's formulation of plans for turning on the propaganda heat on behalf of the British "Loan" (?), word of still another step toward nationalization comes across the Atlantic. The Labor Government is now planning to control farm production, to fix crop prices more than a year before their harvesting, as well as to direct the kinds of foods to be grown.

The Atomic Bomb And Future Peace

(Continued from first page)

service, it became clear to the scientists that an atomic bomb was an immediate practical possibility. At that time I was asked to serve as the President's representative on the committee, under the chairmanship of Secretary of War Stimson, which laid the plans for the New Mexico experiment.

The Future and the Atomic Bomb

Despite this experience, I know that I cannot presently evaluate the true impact of this discovery upon the future of the world. But from the day the first bomb fell on Hiroshima, one thing has been clear to all of us: the civilized world cannot survive an atomic war.

This is the challenge to our generation. To meet it we must let our minds be bold. At the same time we must not imagine wishfully that overnight there can arise full grown a world government wise and strong enough to protect all of us and tolerant and democratic enough to command our willing loyalty.

If we are to preserve the continuity of civilized life, we must work with the materials at hand, improving and adding to existing institutions until they can meet the stern test of our time.

Accordingly, the President of the United States and the Prime Ministers of Great Britain and Canada—the partners in the historic scientific and engineering undertaking that resulted in the release of atomic energy—have taken the first step in an effort to rescue the world from a desperate armament race.

The Washington Agreement

In their statement they declared their willingness to make immediate arrangements for the exchange of basic scientific information for peaceful purposes. Much of this kind of basic information essential to the development of atomic energy has already been disseminated. We shall continue to make such information available.

In addition to these immediate proposals the conference recommended that at the earliest practicable date a commission should be established under the United Nations Organization. This can be done within sixty days.

It would be the duty of this commission to draft recommendations for extending the international exchange of basic scientific information for peaceful purposes, for the control of atomic energy to the extent necessary to insure its use only for peaceful purposes, and for the elimination from national armaments of atomic weapons and of all other weapons adaptable to mass destruction.

The commission would recommend effective safeguards by way of inspection or other means to protect complying states against the hazards of violations and evasions.

Such protection would be afforded by having the work proceed by stages.

As a starting point the commission might recommened the wide exchange of scientists and scientific information. The next step might be the sharing of knowledge about the raw materials necessary to the release of atomic energy.

The successful completion of each stage would develop the confidence to proceed to the next stage.

The Application of Atomic Energy

A very serious question arises, however, when we reach the stage of exchanging detailed information about the practical industrial application of atomic energy. The thought to be borne in mind here is that up to a certain rather advanced point the so-called know-how of production is the same whether atomic energy is to be stored in bombs or harnessed as power for a peaceful industrial purpose.

And so it was necessary for the conferees to determine in the light of this fact how soon information concerning the practical application of atomic energy should be disseminated.

Only one answer was possible. Until effective safeguards can be developed, in the form of international inspection or otherwise, the secrets of production of know-how must be held, in the words of the President, as a sacred trust—a trust in the exercise of which we are already under definite international obligation.

Under the Charter of the United Nations we have pledged ourselves not to use force except in support of the purposes and principles of the Charter. The suggestion that we are using the atomic bomb as a diplomatic or military threat against any nation is not only untrue in fact but is a wholly unwarranted reflection upon the American Government and people.

It is one of the inherent characteristics of our democracy that we can fight a war only with the genuine consent of our people. No President in the absence of a declaration of war by the Congress could authorize an atomic bombing without running the risk of impeachment.

No one who knows the peace-loving temper of our people can believe that our Congress would adopt a declaration of war contrary to our solemnly undertaken obligations under the United Nations charter.

The history of 1914 to 1917 and of 1939 to 1941 is convincing proof of the slowness of Congress to declare war. There is surely no reason to believe that it would be more eager to engage in a future war more terrible than any we have known.

While we consider it proper and necessary, therefore, to continue for a time to hold these production secrets in trust, this period need not be unnecessarily prolonged.

As experience demonstrates that the sharing of information is full and unreserved, it is to be hoped that the exchange for peaceful purposes can be extended to some and eventually to all the practical applications of atomic energy and of other scientific discoveries. This is the objective we seek.

Seriousness in Situation

It is our purpose and grave duty to act in our relations with other nations with the boldness and generosity that the atomic age demands of us. No officials of Government have ever been called upon to make a decision fraught with more serious consequences. We must act. But we will act in a manner that will not undermine our safety or the safety of the world.

Our declaration of willingness to exchange immediately the basic scientific information and our plans for the setting up of a commission under United Nations sponsorship have been sent by me to members of the United Nations Organization. We look forward to their cooperation.

No one appreciates more keenly than those who have advanced these proposals that they represent a very modest first step in what is certain to prove a long and difficult journey. I wish to emphasize our conviction that the creation and development of safeguards to protect us all from unspeakable destruction is not the exclusive responsibility of the United States or Great Britain or Canada. It is the responsibility of all governments.

Without the united effort and unremitting cooperation of all the nations of the world there will be no enduring and effective protection against the atomic bomb. There will be no protection against bacteriological warfare, an even more frightful method of human destruction.

Atomic energy is a new instrument that has been given to man. He may use it to destroy himself and a civilization which centuries of sweat and toil and blood have built. Or he may use it to win for himself new dignity and a better and more abundant life.

If we can move gradually but surely toward free and unlimited exchange of scientific and industrail information, to control and perhaps eventually to eliminate the manufacture of atomic weapons and other weapons capable of mass destruction, we will have progressed toward achieving freedom from fear.

Must Abolish War and Trade Blackouts

But it is not enough to banish atomic or bacteriological warfare. We must banish war. To that great goal of humanity we must ever rededicate our hearts and strength.

To help us move toward that goal we must guard not only against military threats to world security but economic threats to world well-being.

Political peace and economic warfare cannot long exist together. If we are going to have peace in this world, we must learn to live together and work together. We must be able to do business together.

Nations that will not do business with one another or try to exclude one another from doing business with other countries are not likely in the long run to be good neighbors.

Trade blackouts, just as much as other types of blackouts, breed distrust and disunity, Business relations bring nations and their peoples closer together and, perhaps more than anything else, promote good-will and determination for peace.

Many of the existing restrictions on world trade result from present-day conditions and practices, largely growing out of the war.

Britain's Dilemma

Many countries, and not least Great Britain, had to sacrifice their foreign earning power to win the war. They have sold most of their foreign stocks and bonds, borrowed heavily abroad, let their foreign commerce go, and lost ships and factories to enemy attack.

Their needs for foreign goods are great and pressing but they lack foreign exchange, that is, purchasing power to buy abroad. Without aid they cannot see their way to buy as they used to abroad, not to speak of the additional things they need from abroad to rehabilitate their shattered and devastated economies.

In a situation of this kind what can a country do? It can seek to borrow the foreign currencies it needs, which will enable it to apply the liberal principles of trade which must be the basis of any permanent prosperity. Or it can draw in its belt. It can reduce the standard of living of its people, conserve in every way the foreign currencies that it finds hard to get, and transfer its foreign trade by Government decree to countries whose currencies are easier to obtain.

In the latter way lies increased discrimination and the division of the commerce of the world into exclusive blocs. We cannot oppose exclusive blocs if we do not help remove the conditions which impel other nations, often against their will, to create them.

We must not only oppose these exclusive trading blocs but we must also cooperate with other nations in removing conditions which breed discrimination in world trade.

Whatever foreign loans we make will of course increase the markets for American products, for in the long run the dollars we lend can be spent only in this country.

The countries devastated by the war want to get back to work. They want to get back to production which will enable them to support themselves. When they can do this, they will buy goods from us. America, in helping them, will be helping herself.

Not Santa Claus to World

We cannot play Santa Claus to the world, but we can make loans to Governments whose credit is good, provided such Governments will make changes in commercial policies which will make it possible for us to increase our trade with them.

In additon to loans, lend-lease settlements, and the disposal of our surplus war materials, we have been discussing with Great Britain the principles of commercial relations—principles we want to see applied by all nations in the post-war world.

These are the same liberal principles which my friend and predecessor, Cordell Hull, urged for so many years.

They are based on the conviction that what matters most in trade is not the buttressing of particular competitive positions but the increase of productive employment, the increase of production and the increase of general prosperity.

The reasons for poverty and hunger are no longer the stinginess of nature. Modern knowledge makes it technically possible for mankind to produce enough good things to go around. The world's present capacity to produce gives it the greatest opportunity in history to increase the standards of living for all peoples of the world.

Must Expand World Trade by Removing Restrictions

Trade between countries is one of the greatest forces leading to the fuller use of these tremendously expanded productive powers. But the world will lose this opportunity to improve the lot of her peoples if their countries do not learn to trade as neighbors and friends. If we are going to have a real people's peace, world trade cannot be throttled by burdensome restrictions.

Some of these restrictions are imposed by Government decree; others by private combination. They must be removed if we are to have full employment.

To do this it will be necessary to agree upon some general rules and to apply them in detail. We shall shortly submit to the peoples of the world our views about these matters.

We intend to propose that commercial quotas and embargoes be restricted to a few really necessary cases, and that discrimination in their application be avoided.

Wants Tariffs Reduced

We intend to propose that tariffs be reduced and tariff preferences be eliminated.. The Trade Agreements Act is our standing offer to negotiate to that end.

We intend to propose that subsidies, in general, should be the subject of international discussion, and that subsidies on exports should be confined to exceptional cases, under general rules, as soon as the period of emergency adjustment is over.

We intend to propose that Governments conducting public enterprises in foreign trade should agree to give fair treatment to the commerce of all friendly states, that they should make their purchases and sales on purely economic grounds, and that they should avoid using a monopoly of imports to give excessive protection to their own producers.

We intend to propose that international cartels and monopolies should be prevented by international action from restricting the commerce of the world.

We intend to propose that the special problems of the great primary commodities should be studied internationally, and that consuming countries should have an equal voice with producing countries in whatever decisions may be made.

We intend to propose that the efforts of all countries to maintain full and regular employment should be guided by the rule that no country should solve its domestic problems by measures that would prevent the expansion of world trade, and no country is at liberty to export its unemployment to its neighbors.

An International Trade Organization

We intend to propose that an international trade organization be created, under the Economic and Social Council, as an integral part of the structure of the United Nations.

We intend to propose that the United Nations call an international conference on trade and employment to deal with all these problems.

In preparation for that conference we intend to go forward with actual negotiations with several countries for the reduction of trade barriers under the Reciprocal Trade Agreements Act.

Just when the negotiations will commence has not been determined. They will be announced in the usual way, as required by the Act, and due notice will be given in order that all interested persons may be heard before the detailed offers to be made by the United States are settled.

Success in those negotiations will be the soundest preparation for the general conference we hope will be called by the United Nations Organization.

By proposing that the United Nations Organization appoint a commission to consider the subject of atomic energy and by proposing that the organization likewise call a conference to enable nations to consider the problems of international trade, we demonstrate our confidence in that organization as an effective instrumentality for world cooperation and world peace.

After the first World War we rejected the plea of Woodrow Wilson and refused to join the League of Nations. Our action contributed to the ineffectiveness of the League.

Now the situation is different. We have sponsored the United Nations Organization. We are giving it our whole-hearted and enthusiastic support. We recognize our responsibility in the affairs of the world. We shall not evade that responsibility.

With other nations of the world we shall walk hand in hand in the paths of peace in the hope that all peoples can find freedom from fear and freedom from want.

President Signs Aluminum Plant Disposal Bill

The bill extending the time during which the Surplus Property Administration is prohibited from disposing of Government aluminum plants was signed by President Truman, Oct. 22, according to Associated Press Washington advices. The Surplus Property Act generally requires that in disposing of war plants there can be no action until 30 days after the Administration has reported to Congress on its plans. Under the new legislation, offered by Senator O'Mahoney (D.-Wyo.), according to the Associated Press, the period has been made 60 days in the case of aluminum plants and facilities.

President Truman's Message On Federal Health Insurance

(Continued from first page)

statistics of the last war had shown the same condition. But the Selective Service System has brought it forcibly to our attention recently—in terms which all of us can understand.

Cites Defects of Draftees

As of April 1, 1945, nearly 5,000,000 male registrants between the ages of 18 and 37 had been examined and classified as unfit for military service. The number of those rejected for military service was about 30% of all those examined. The percentage of rejection was lower in the younger age groups, and higher in the higner age groups, reaching as high as 49% for registrants between the ages of 34 and 37.

In addition, after actual induction, about a million and a half men had to be discharged from the Army and Navy for physical or mental disability, exclusive of wounds; and an equal number had to be treated in the armed forces for diseases or defects which existed before induction.

Among the young women who applied for admission to the Women's Army Corps there was similar disability. Over one-third of those examined were rejected for physical or mental reasons.

These men and women who were rejected for military service are not necessarily incapable of civilian work. It is plain, however, that they have illnesses and defects that handicap them, reduce their working capacity, or shorten their lives.

It is not so important to search the past in order to fix the blame for these conditions. It is more important to resolve now that no American child shall come to adult life with diseases or defect which can be prevented or corrected at an early age.

Medicine has made great strides in this generation—especially during the last four years. We owe much to the skill and devotion of the medical profession. In spite of great scientific progress, however, each year we lose many more persons from preventable and premature deaths than we lost in battle or from war injuries during the entire war.

We are proud of past reductions in our death rates. But these reductions have come principally from public health and other community services. We have been less effective in making available to all of our people the benefits of medical progress in the care and treatment of individuals.

Government Must Act

In the past, the benefits of modern medical science have not been enjoyed by our citizens with any degree of equality. Nor are they today. Nor will they be in the future — unless Government is bold enough to do something about it.

People with low or moderate incomes do not get the same medical attention as those with high incomes. The poor have more sickness, but they get less medical care. People who live in rural areas do not get the same amount or quality of medical attention as those who live in our cities.

Our new economic bill of rights should mean health security for all, regardless of residence, station or race—everywhere in the United States.

We should resolve now that the health of this nation is a national concern; that financial barriers in the way of attaining health shall be removed; that the health of all its citizens deserves the help of all the nation.

Basic Problems

There are five basic problems which we must attack vigorously if we would reach the health objectives of our economic bill of rights.

1. The first has to do with the number and distribution of doctors and hospitals. One of the most important requirements for adequate health service is professional personnel — doctors, dentists, public health and hospital administrators, nurses and other experts.

The United States has been fortunate with respect to physicians. In proportion to population it has more than any large country in the world, and they are well trained for their calling. It is not enough, however, that we have them in sufficient numbers. They should be located where their services are needed. In this respect we are not so fortunate.

The distribution of physicians in the United States has been grossly uneven and unsatisfactory. Some communities have had enough or even too many; others have had too few. Year by year the number in our rural areas has been diminishing. Indeed, in 1940, there were 31 counties in the United States, each with more than a thousand inhabitants, in which there was not a single practicing physician. The situation with respect to dentists was even worse.

One important reason for this disparity is that in some communities there are no adequate facilities for the practice of medicine. Another reason—closely allied with the first—is that the earning capacity of the people in some communities makes it difficult if not impossible for doctors who practice there to make a living.

The demobilization of 60,000 doctors, and of the tens of thousands of other professional personnel in the armed forces is now proceeding on a large scale. Unfortunately, unless we act rapidly, we may expect to see them concentrate in the places with greater financial resources and avoid other places, making the inequalities even greater than before the war.

Demobilized doctors cannot be assigned. They must be attracted. In order to be attracted, they must be able to see ahead of them professional opportunities and economic assurances.

Hospital Shortages

Inequalities in the distribution of medical personnel are matched by inequalities in hospitals and other health facilities. Moreover, there are just too few hospitals, clinics and health centers to take proper care of the people of the United States.

About 1,200 counties, 40% of the total in the country, with some 15,000,000 people, have either no local hospital, or none that meets even the minimum standards of national professional associations.

The deficiencies are especially severe in rural and semi-rural areas and in those cities where changes in population have placed great strains on community facilities.

I want to emphasize, however, that the basic problem in this field cannot be solved merely by building facilities. They have to be staffed; and the communities have to be able to pay for the services. Otherwise the new facilities will be little used.

2. The second basic problem is the need for development of public health services and maternal and child care. The Congress can be justifiably proud of its share in making recent accomplishments possible. Public health and maternal and child health programs already have made important contributions to national health. But large needs remain. Great areas of our country are still without these services. This is especially true among our rural areas; but it is true also in far too many urban communities.

Only Skeleton Organization

Although local public health departments are now maintained by some 18,000 counties and other local units, many of these have only skeleton organizations, and approximately 40,000,000 citizens of the United States still live in communities lacking full-time local public health service. At the recent rate of progress in developing such service, it would take more than a 100 years to cover the whole nation.

If we agree that the national health must be improved, our cities, towns and farming communities must be made healthful places in which to live through provision of safe water systems, sewage disposal plants and sanitary facilities. Our streams and rivers must be safeguarded against pollution. In addition to building a sanitary environment for ourselves and for our children, we must provide those services which prevent disease and promote health.

Services for expectant mothers and for infants, care of crippled or otherwise physically handicapped children and inoculation for the prevention of communicable diseases are accepted public health functions. So too are many kinds of personal services, such as the diagnosis and treatment of widespread infections like tuberculosis and venereal disease. A large part of the population today lacks many or all of these services.

Our success in the traditional public health sphere is made plain by the conquest over many communicable diseases. Typhoid fever, smallpox and diphtheria—diseases for which there are effective controls—have become comparatively rare. We must make the same gains in reducing our maternal and infant mortality, in controlling tuberculosis, venereal disease, malaria and other major threats to life and health. We are only beginning to realize our potentialities in achieving physical well-being for all our people.

Research Essential

3. The third basic problem concerns medical research and professional education.

We have long recognized that we cannot be content with what is already known about health or disease. We must learn and understand more about health and how to prevent and cure disease.

Research — well directed and continuously supported — can do much to develop ways to reduce those diseases of body and mind which now cause most sickness, disability and premature death—diseases of the heart, kidneys and arteries, rheumatism, cancer, diseases of childbirth, infancy and childhood, respiratory diseases and tuberculosis. And research can do much toward teaching us how to keep well and how to prolong healthy human life.

Cancer is among the leading causes of death. It is responsible for over 160,000 recorded deaths a year, and should receive special attention. Though we already have the National Cancer Institute of the Public Health Service, we need still more coordinated research on the cause, prevention and cure of this disease. We need more financial support for research and to establish special clinics and hospitals for diagnosis and treatment of the disease especially in its early stages. We need to train more physicians for the highly specialized services so essential for effective control of cancer.

Mental Cases Large

There is also special need for research on mental diseases and abnormalities. We have done pitifully little about mental illnesses. Accurate statistics are lacking, but there is no doubt that there are at least two million persons in the United States who are mentally ill, and that as many as ten million will probably need hospitalization for mental illness for some period in the course of their lifetime.

A great many of these persons would be helped by proper care. Mental cases occupy more than one-half of the hospital beds, at a cost of about $500,000,000 per year —practicaly all of it coming out of taxpayers' money. Each year there are 125,000 new mental cases admitted to institutions.

We need more mental-disease hospitals, more out-patient clinics. We need more services for early diagnosis, and especially we need much more research to learn how to prevent mental breakdown. Also, we must have many more trained and qualified doctors in this field.

It is clear that we have not done enough in peacetime for medical research and education in view of our enormous resources and our national interest in health progress. The money invested in research pays enormous dividends. If any one doubts this, let him think of Penicillin, plasma, DDT powder and new rehabilitation techniques.

Individual Cost Prohibitive

4. The fourth problem has to do with the high cost of individual medical care. The principal reason why people do not receive the care they need is that they cannot afford to pay for it on an individual basis at the time they need it. This is true not only for needy persons. It is also true for a large proportion of normally self-supporting persons.

In the aggregate, all health services—from pubilc health agencies, physicians, hospitals, dentists, nurses and laboratories—absorb only about 4% of the national income. We can afford to spend more for health.

But 4% is only an average. It is cold comfort in individual cases. Individual families pay their individual costs, and not average costs. They may be hit by sickness that calls for many times the average cost — in extreme cases for more than their annual income. When this happens they may come face to face with economic disaster. Many families, fearful of expense, delay calling the doctor long beyond the time when medical care would do the most good.

For some persons with very low income or no income at all we now use taxpayers' money in the form of free services, free clinics and public hospitals. Tax-supported free medical care for needy persons, however, is insufficient in most of our cities and in nearly all of our rural areas. This deficiency cannot be met by private charity or the kindness of individual physicians.

Plight of Doctors

Each of us knows doctors who work through endless days and nights, never expecting to be paid for their services because many of their patients are unable to pay. Often the physician spends not only his time and effort, but even part of the fees he has collected from patients able to pay, in order to buy medical supplies for those who cannot afford them. I am sure that there are thousands of such physicians throughout our country. They cannot, and should not, be expected to carry so heavy a load.

5. The fifth problem has to do with loss of earnings when sickness strikes. Sickness not only brings doctor bills; it also cuts off income.

Economic Effect of Disability

On an average day there are about 7,000,000 persons so disabled by sickness or injury that they cannot go about their usual tasks. Of these, about 3,250,000 are persons who, if they were not disabled, would be working or seeking employment. More than one-half of these disabled workers have already been disabled for six months; many of them will continue to be disabled for years, and some for the remainder of their lives.

Every year four or five hundred million working days are lost from productive employment because of illness and accident among those working or looking for work—about forty times the number of days lost because of strikes on the average during the ten years before the war. About nine-tenths of this enormous loss is due to illness and accident that is not directly connected with employment and is therefore not covered by workmen's compensation laws.

These then are the five important problems which must be solved, if we hope to attain our objective of adequate medical care, good health, and protection from the economic fears of sickness and disability.

Program for Congress

To meet these problems, I recommend that the Congress adopt a comprehensive and modern health program for the nation, consisting of five major parts—each of which contributes to all the others.

First: Construction of Hospitals and Related Facilities

The Federal Government should provide financial and other assistance for the construction of needed hospitals, health centers and other medical, health and rehabilitation facilities. With the help of Federal funds, it should be possible to meet deficiencies in hosiptal and health facilities so that modern services — for both prevention and cure — can be accessible to all the people. Federal financial aid should be available not only to build new facilities where needed, but also to enlarge or modernize those we now have.

In carrying out this program, there should be a clear division of responsibilities between the States and the Federal Government. The States, localities and the Federal Government should share in the financial responsibilities. The Federal Government should not construct or operate these hospitals. It should, however, lay down minimum national standards for construction and operation, and should make sure that Federal funds are allocated to those areas and projects where Federal aid is needed most. In approving State plans and individual projects, and in fixing the national standards, the Federal agency should have the help of a strictly advisory body that includes both public and professional members.

Prevent Disease

Adequate emphasis should be given to facilities that are particularly useful for prevention of diseases — mental as well as physical — and to the coordination of various kinds of facilities. It should be possible to go a long way toward knitting together facilities for prevention with facilities for cure, the large hospitals of medical centers with the smaller institutions for surrounding areas, the facilities for the civilian population with the facilities for veterans.

The general policy of Federal-State partnership which has done so much to provide the magnificent highways of the United States can be adapted to the construction of hospitals in the communities which need them.

Second: Expansion of Public Health, Maternal and Child Health Services.

Our programs for public health and related services should be enlarged and strengthened. The present Federal-State cooperative health programs deal with general public health work, tuberculosis and venereal disease control, maternal and child health services and services for crippled children.

These programs were especially developed in the 10 years before the war and have been extended in some areas during the war. They have already made important contributions to national health, but they have not yet reached a large proportion of our rural areas, and, in many cities, they are only partially developed.

No area in the nation should continue to be without the services of a full-time health officer and other essential personnel. No area should be without essential public health services or sanitation facilities. No area should be without community health services such as maternal and child health care.

Hospitals, clinics and health centers must be built to meet the needs of the total population, and must make adequate provision for the safe birth of every baby, and for the health protection of infants and children.

Present laws relating to general public health, and to maternal and child health, have built a solid foundation of Federal cooperation with the States in administering community health services. The emergency maternity and infant care program for the wives and infants of service men—a great wartime service authorized by the Congress — has materially increased the experience of every State health agency, and has provided much-needed care. So too have other wartime programs such as venereal disease control, industrial hygiene, malaria control, tuberculosis control and other services offered in war essential communities.

Financial Aid to States

The Federal Government should cooperate by more generous grants to the States than are provided under present laws for public health services and for maternal and child health care.

The program should continue to be partly financed by the States themselves, and should be administered by the States. Federal grants should be in proportion to State and local expenditures, and should also vary in accordance with the financial ability of the respective States.

The health of American children, like their education, should be recognized as a definite public responsibility.

In the conquest of many diseases, prevention is even more important than cure. A well-rounded national health program should, therefore, include systematic and widespread health and physical education and examinations, beginning with the youngest children and extending into community organizations. Medical and dental examinations of school children are now inadequate. A preventive health program, to be successful, must discover defects as early as possible. We should, therefore, see to it that our health programs are pushed most vigorously with the youngest section of the population.

Of course, Federal aid for community health services—for general public health and for mothers and children—should complement and not duplicate prepaid medical services for individuals, proposed by the fourth recommendation of this message.

Third: Medical Education and Research

The Federal Government should undertake a broad program to strengthen professional education in medical and related fields, and to encourage and support medical research.

Professional education should be strengthened where necessary through Federal grants-in-aid to public and to non-profit private institutions. Medical research also, should be encouraged and supported in the Federal agencies and by grants-in-aid to public and non-profit private agencies.

In my message to the Congress of Sept. 6, 1945, I made various recommendations for a general Federal research program. Medical research — dealing with the broad fields of physical and mental illnesses—should be made effective in part through that general program and in part through specific provisions within the scope of a national health program.

Federal aid to promote and support research in medicine, public health and allied fields is an essential part of a general research program to be administered by a central Federal research agency. Federal aid for medical research and education is also an essential part of any national health program, if it is to meet its responsibilities for high grade medical services and for continuing progress. Coordination of the two programs is obviously necessary to assure efficient use of Federal funds. Legislation covering medical research in a national health program should provide for such coordination.

Fourth: Prepayment of Medical Costs.

Everyone should have ready access to all necessary medical, hospital and related services.

I recommend solving the basic problem by distributing the costs through expansion of our existing compulsory social insurance system. This is not socialized medicine.

Everyone who carries fire insurance knows how the law of averages is made to work so as to spread the risk, and to benefit the insured who actually suffers the loss. If instead of the costs of sickness being paid only by those who get sick, all the people —sick and well—were required to pay premiums into an insurance fund, the pool of funds thus created would enable all who do fall sick to be adequately served without overburdening anyone. That is the principle upon which all forms of insurance are based.

During the past fifteen years, hospital insurance plans have taught many Americans this magic of averages. Voluntary health insurance plans have been expanding during recent years; but their rate of growth does not justify the belief that they will meet more than a fraction of our people's needs. Only about 3% or 4% of our population now have insurance providing comprehensive medical care.

A system of required prepayment would not only spread the costs of medical care, it would also prevent much serious disease. Since medical bills would be paid by the insurance fund, doctors would more often be consulted when the first signs of disease occur instead of when the disease has become serious. Modern hospital, specialist and laboratory services, as needed, would also become available to all, and would improve the quality and adequacy of care. Prepayment of medical care would go a long way toward furnishing insurance against disease itself, as well as against medical bills.

Such a system of prepayment should cover medical, hospital, nursing and laboratory services. It should also cover dental care—as fully and for as many of the population as the available professional personnel and the financial resources of the system permit.

A Common Health Fund

The ability of our people to pay for adequate medical care will be increased if, while they are well, they pay regularly into a common health fund, instead of paying sporadically and unevenly when they are sick. This health fund should be built up nationally, in order to establish the broadest and most stable basis for spreading the costs of illness, and to assure adequate financial support for doctors and hospitals everywhere. If we were to rely on State-by-State action only, many years would elapse before we had any general coverage. Meanwhile health service would continue to be grossly uneven, and disease would continue to cross State boundary lines.

Medical services are personal. Therefore the nationwide system must be highly decentralized in administration. The local administrative unit must be the keystone of the system so as to provide for local services and adaptation to local needs and conditions. Locally as well as nationally, policy and administration should be guided by advisory committees in which the public and the medical professions are represented.

Subject to national standards, methods and rates of paying doctors and hospitals should be adjusted locally. All such rates for doctors should be adequate, and should be appropriately adjusted upward for those who are qualified specialists.

People should remain free to choose their own physicians and hospitals. The removal of financial barriers between patient and doctor would enlarge the present freedom of choice. The legal requirement on the population to contribute involves no compulsion over the doctor's freedom to decide what services his patient needs. People will remain free to obtain any pay for medical service outside of the health insurance system if they desire, even though they are members of the system; just as they are free to send their children to private instead of to public schools, although they must pay taxes for public schools.

Doctors Free to Act

Likewise physicians should remain free to accept or reject patients. They must be allowed to decide for themselves whether they wish to participate in the health insurance system full time, part time, or not at all. A physician may have some patients who are in the system and some who are not. Physicians must be permitted to be represented through organizations of their own choosing, and to decide whether to carry on in individual practice or to join with other doctors in group practice in hospitals or in clinics.

Our voluntary hospitals and our city, county and State general hospitals, in the same way, must be free to participate in the system of whatever extent they wish. In any case they must continue to retain their administrative independence.

Voluntary organizations which provide health services that meet reasonable standards of quality should be entitled to furnish services under the insurance system and to be reimbursed for them. Voluntary cooperative organizations concerned with paying doctors, hospitals or others for health services, but not providing services directly, should be entitled to participate if they can contribute to the efficiency and economy of the system.

None of this is really new. The American people are the most insurance-minded people in the world. They will not be frightened off from health insurance because some people have misnamed it "socialized medicine."

Not Socialized Medicine

I repeat — what I am recommending is not socialized medicine. Socialized medicine means that all doctors work as employees of Government. The American people want no such system. No such system is here proposed.

Under the plan I suggest, our people would continue to get medical and hospital services just as they do now—on the basis of their own voluntary decisions and choices. Our doctors and hospitals would continue to deal with disease with the same professional freedom as now. There would, however, be this all-important difference: whether or not patients get the services they need would not depend on how much they can afford to pay at the time.

I am in favor of the broadest possible coverage for this insurance system. I believe that all persons who work for a living and their dependents should be covered under such an insurance plan. This would include wage and salary earners, those in business for themselves, professional persons, farmers, agricultural labor, domestic employees, Government employees and employees of non-profit institutions and their families.

Pay Premiums for Needy

In addition, needy persons and other groups should be covered through appropriate premiums paid for them by public agencies. Increased Federal funds should also be made available by the Congress under the public assistance programs to reimburse the States for part of such premiums, as well as for direct expenditures made by the States in paying for medical services provided by doctors, hospitals and other agencies to needy persons.

Premiums for present social insurance benefits are calculated on the first $3,000 of earnings in a year. It might be well to have all such premiums, including those for health, calculated on a somewhat higher amount, such as $3,600.

A broad program of prepayment for medical care would need total amounts approximately equal to 4% of such earnings. The people of the United States have been spending, on the average, nearly this percentage of their incomes for sickness care. How much of the total fund should come from the insurance premiums and how much from general revenues is a matter for the Congress to decide.

Doctors' Bills Guaranteed

The plan which I have suggested would be sufficient to pay most doctors more than the best they have received in peacetime years. The payments of the doctors' bills would be guaranteed, and the doctors would be spared the annoyance and uncertainty of collecting fees from individual patients. The same assurance would apply to hospitals, dentists and nurses for the services they render.

Federal aid in the construction of hospitals will be futile unless there is current purchasing power so that people can use these hospitals. Doctors cannot be drawn to sections which need them without some assurance that they can make a living. Only a nation-wide spreading of sickness costs can supply such sections with sure and sufficient purchasing power to maintain enough physicians and hospitals. We are a rich nation and can afford many things. But ill-health which can be prevented or cured is one thing we cannot afford.

Fifth: Protection Against Loss of Wages from Sickness and Disability.

What I have discussed heretofore has been a program for improving and spreading the health services and facilities of the nation, and providing an efficient and less burdensome system of paying for them.

But no matter what we do, sickness will of course come to many. Sickness brings with it loss of wages.

Therefore, as a fifth element of a comprehensive health program, the workers of the nation and their families should be protected against loss of earnings because of illness. A comprehensive health program must include the payment of benefits to replace at least part of the earnings that are lost during the period of sickness and long-term disability. This protection can be readily and conveniently provided through expansion of our present social insurance system, with appropriate adjustment of premiums.

Cash Benefits Urged

Insurance against loss of wages from sickness and disability deals with cash benefits, rather than with services. It has to be coordinated with the other cash benefits under existing social insurance systems. Such coordination should be effected when other social security measures are re-examined. I shall bring this subject again to the attention of the Congress in a separate message on social security.

I strongly urge that the Congress give careful consideration to this program of health legislation now.

Many millions of our veterans, accustomed in the armed forces to the best medical and hospital care, will no longer be eligible for such care as a matter of right except for their service-connected disabilities. They deserve continued adequate and comprehensive health service. And their dependents deserve it, too.

By preventing illness, by assuring access to needed community and personal health services, by promoting medical research, and by protecting our people against the loss caused by sickness, we shall strengthen our national health, our national defense and our economic productivity. We shall increase the professional and economic opportunities of our physicians, dentists and nurses. We shall increase the effectiveness of our hospitals and public health agencies. We shall bring new security to our people.

We need to do this especially at this time because of the return to civilian life of many doctors, dentists and nurses, particularly young men and women.

Appreciation of modern achievements in medicine and public health has created widespread demand that they be fully applied and universally available. By meeting that demand we shall strengthen the nation to meet future economic and social problems; and we shall make a most important contribution toward freedom from want in our land.

FEPC Offices Closed

Chairman Malcolm Ross of the Fair Employment Practices Committee has announced that, due to shortage of funds, field offices in New York, Philadelphia, Atlanta, San Francisco, San Antonio, Los Angeles and Washington will close Dec. 15, the Associated Press reported from Washington, Nov. 14. Congress gave FEPC $250,000 last summer to operate until next July. This was half the sum which had been sought.

Last September President Truman urged Congress to make FEPC permanent, and, the Associated Press stated, enabling legislation was approved by House and Senate labor committees. The House Rules Committee pigeonholed the bill. It still is on the Senate calendar.

"FEPC is reluctant to lose the able workers in the seven offices to be closed," Ross said in a statement. "The personnel of these offices during the years of actual war performed a notable service in keeping the war plant gate open to all American workers irrespective of race, creed, color or national origin."

He suggested that "those plants which are reconverting to peacetime production ought, as a matter of fair play and common sense, to offer work opportunities to all workers without favor or discrimination."

FEPC offices in Detroit, Chicago and St. Louis have been left in operation.

The Steel Wage Impasse

(Continued from first page)

ruly shock of black hair and the stocky build of an athlete. His father was a coal miner. He worked in the steel industry as a mill superintendent, surveyor, and engineer. Today he is President of the United States Steel Corp. He's a man who got to the top the hard way. And his name is Benjamin F. Fairless. He is also Vice-President of American Iron and Steel Institute, for which he speaks tonight.

Mr. Fairless: That's enough about me, Ken. There are a lot of questions people want answered about this situation, so let's get on with them.

Announcer: O. K. Here's the first. Some people say that you fellows in the steel industry are opposed to paying high wages. How about it?

Mr. Fairless: Absolutely not. Steel makers believe in high wages. Steel workers are among the highest paid in any manufacturing industry.

Announcer: Are you refusing to bargain collectively on the Union's wage demand?

Mr. Fairless: No, we are **not** refusing to bargain collectively. Negotiations are being blocked by the Union and by the Government.

Announcer: What do you mean they are being blocked by the Union?

Mr. Fairless: The President of the Union, Philip Murray, said flatly in the very beginning that his demand for an increase of $2 a day was not subject to dickering or compromise.

Announcer: Well, how is the Government blocking collective bargaining, Ben?

Mr. Fairless: The Government is blocking it by keeping steel prices frozen. Wages cannot continue to go up when prices must remain at their present level.

Announcer: Isn't it possible to pay this wage increase without increasing prices?

Mr. Fairless: I wish we could, but we just can't. We're selling many steel products at a loss today, Mr. Williams. The prices we get for steel are generally less than steel prices in 1937, in fact $3.53 a ton less than the scheduled steel prices of 1937. That is because the government-controlled ceiling prices have been frozen by OPA at pre-war levels. Costs, however, have not been frozen, and wages certainly have not been frozen during the war period. The average straight time hourly earnings in the steel industry rose 34% between January, 1941 and August, 1945. And remember, that is without counting any overtime pay.

Announcer: What would this new increase amount to?

Mr. Fairless: At least 225 million dollars a year.

Announcer: That's a lot of money.

Mr. Fairless: Yes—and it's more than all the companies in the steel industry combined are now earning.

Announcer: You say, Ben, that you need an increase in prices even at present wage levels. Is it not true that the industry generally is earning a profit at the present price and wage levels?

Mr. Fairless: Throughout the entire war period, the profitable items were the special items and not the regular items of steel manufacture. Today we are back to making regular peacetime items. Many of these are selling at an out-of-pocket loss.

Announcer: Have you placed these facts before the OPA, Ben?

Mr. Fairless: Definitely. Many months ago the steel industry went to OPA and laid all of the facts before it. We pointed out that if steel companies are to continue in business and do their share of providing jobs and steel there must be substantial price increases to compensate for past cost increases. Furthermore, if there is any wage increase another price increase would be necessary. OPA has not yet acted on our long-standing initial price request.

Announcer: I suppose then, Ben, that you have refused to discuss this wage issue with the Union until OPA acts.

Mr. Fairless: That is not true, Ken. We have discussed these issues with the Union. Since I am most familiar with our own case, let me tell you about the collective bargaining conferences between Mr. Murray's group and representatives of United States Steel. In our very first meeting with the Union Mr. Murray presented his demand on a "take it or leave it" basis. To use his own words, and I quote, "the demand is not subject to dickering or compromise." In our opinion this high-handed attitude is not what is commonly thought of when the term "collective bargaining" is used.

Announcer: Well, how would you define "collective bargaining," Ben?

Mr. Fairless: I would call it frank and open discussion between both parties in a "give and take" spirit of fair play. In my opinion it must be a two-way street in which labor and management each must give consideration to the problems and opinions of the other.

Announcer: What was the outcome of your company's conferences with the Union, Ben?

Mr. Fairless: Well, Ken, since Mr. Murray said that he would stand for no dickering or compromise we were compelled to answer him strictly on the basis of his demand for a $2 a day, or $10 a week wage increase. So after meetings with his group on October 10 and 11, we held another meeting with them on October 23. At the October 23 meeting we told him that existing ceiling prices for steel products, together with the Government's wage stabilization policy, do not enable United States Steel to grant a wage increase at this time. That is the situation today.

Announcer: What about the Government's suggestion that industry grant wage increases on a six month basis, and then discuss the price situation with the Government?

Mr. Fairless: I don't have to wait six months to give you an answer. I can give it to you in six seconds. We would have to sell many steel products at a much greater loss. You can't pay wage increases out of thin air.

Announcer: That was the answer given by your corporation, Ben. How does it apply to other steel companies?

Mr. Fairless: Well, United States Steel is only one unit of an industry composed of many companies. Many of the other companies also have met with the Union in collective bargaining conferences and their situation has been much the same as ours. After all, the economic facts of life apply to every business, large or small. The American Iron and Steel Institute, whose member companies employ 95% of the workers in the steel industry, in a statement today said, "Proceeds from sales of steel provide the only fund out of which wages can be paid. Today the ceiling prices imposed by OPA do not provide a sufficient return to pay current costs of steel operations, let alone any increase in wages."

Announcer: In radio, Ben, we are interested in people. Though our audience may be numbered in millions, we talk to people in their own living rooms as individuals. Therefore, I'd like to know something about the present wages of the individual steel worker. Is he or she better or worse off today than before the war?

Mr. Fairless: Suppose, Ken, I let the figures speak for themselves. In August of this year average straight time pay for steel workers was $1.15 an hour, or about $11.25 more per 40-hour week than in 1941. Now that figure doesn't count overtime.

Actually there is still a lot of overtime being worked in the industry, and it will be many months yet before steel companies can find enough workers to get back to the normal 40-hour week. Because of the very nature of the steel industry there will always be some overtime.

I said a few minutes ago that straight time hourly earnings rose 34% between 1941 and 1945. That was more than the advance during this same period in the official government cost of living index compiled by the United States Department of Labor.

Announcer: I have seen some statements, Ben, that steel companies have hidden profits with which to pay increased wages. That is a serious charge against your industry. What do you have to say about it?

Mr. Fairless: I'd like to know, Ken, what sort of crystal ball these people who make that charge use to find those so-called "hidden profits." Maybe if I could borrow it, I would know how to operate a business where costs were greater than income, and still make a profit. Seriously, you and I and everyone who is listening to us tonight knows that there are government agencies which would be quick to detect any concealed profits, no matter how well hidden they might be.

Year after year every steel company has been checked by the official government agencies for renegotiation of contracts. Other government agencies have reviewed our reserves for depreciation and amortization and have found them to be a normal cost of doing business in the steel industry. Now there is no mystery about such things as depreciation. Machines wear out. Unless they are replaced, the workers who operate them will have no tools with which to work. Therefore these reserves are just as important to workers as they are to management.

Announcer: Ben, did you read Mr. Murray's letter to Secretary of Labor Schwellenbach published this afternoon?

Mr. Fairless: Yes, I have seen it and it is full of bare-faced misstatements of fact. For example, he states that the net profits of the industry after taxes in 1944 were $407 million. The actual figure was less than half of that amount. This is typical of many misstatements made by Mr. Murray.

Announcer: What about the assertion that you are trying to bludgeon the Government into a price increase?

Mr. Fairless: The Government of the United States is your Government and mine. It does not belong to Mr. Murray. Since when has it become improper for citizens to present their position and rights publicly to our Government?

Announcer: Well, Ben, I see the time is getting short. Would you give us a quick summary of the facts?

Mr. Fairless: Okay. Here it is in one, two, three order. The steel industry is today losing money on many products. The OPA has frozen prices at pre-war levels, but costs have soared for four long war years. The steel worker today is among the highest paid wage-earners in American history, earning $11.25 more per week than in January, 1941, even without counting overtime which is still adding to many steel workers' take-home pay.

There is only one answer to further wage increases — it depends upon the steel price policy of OPA. Present steel prices do not provide a sufficient return to pay current costs of steel operations, let alone any increase in wages. As President Truman said recently, labor must realize, too, that business is entitled to a fair profit. "We must not kill the goose which lays the golden egg."

Provisions of the Act of Congress under which it was created make it the duty of OPA to set ceiling prices which yield a fair profit. Until OPA fulfills its duty in authorizing fair prices the industry cannot pay higher wages.

We are anxious to avoid, if possible, any interruption in steel production, which is so vital to reconversion and peacetime jobs and prosperity. The answer lies with OPA.

Murray's Letter to Secretary Schwellenbach

The letter, dated November 13, of President Philip Murray of the United Steel Workers of America, CIO, to Secretary of Labor Schwellenbach, referred to above by Mr. Fairless and dealing with negotiations of the Union with the United States Steel Corp., follows:

"On November 3rd you addressed a communication to the U. S. Steel Corporation and to the United Steelworkers of America suggesting that we resume our collective bargaining conference which had had under consideration the request of the Union for a wage increase of $2 a day.

"The United Steelworkers of America accepted your suggestion and advised you that we were ready to meet the representatives of the U. S. Steel Corporation at an early date that may be designated by Mr. Arthur S. Meyer, who had been named by you as a Special Conciliator to represent the Labor Department at the conference.

"You very aptly set the framework of the conference by referring to the President's emphasis of the need, in the interest of avoiding a deflationary spiral; to protect wage earners against severe losses in earnings which have occurred since V-J Day.

"The U. S. Steel Corporation, however, arrogantly rejected your request. The Corporation, through Mr. Benjamin F. Fairless, its President, advised you that it would not resume collective bargaining with the Union until the OPA acted on the industry's request for higher price ceilings and simultaneously gave assurance that further price relief would be granted to compensate for any wage increases which might result from the present demand of the Union.

"The Corporation is obligated by law to engage in collective bargaining with the United Steelworkers of America. The President, in his recent message to the nation, and you, in your letter to both parties, pointed to the solemn obligation of management and labor to engage in genuine collective bargaining on this all-important wage issue.

"Yet the U. S. Steel Corporation has the unmitigated gall to advise the Government of the United States that it will not perform its legal and public duty unless the Government agrees to unconditional surrender to the demands of the industry for immediate price relief and a guarantee that for any wage increase that may be agreed upon in collective bargaining there will be additional price increases.

"At this time I wish to call to the attention of yourself and the OPA these cold facts: In 1944 the actual net profits of the steel industry—after taxes—were $407,531,000. The average annual net profits of the industry—after taxes—during the peacetime era of 1936-39 were $115,000,000.

"Bearing in mind the financial benefits which will accrue to the industry in 1946 due to the elimination of overtime, downgrading of workers, increased productivity and lower costs resulting from the elimination of obsolete equipment and the repeal of excess profits taxes, it is a conservative estimate that the anticipated net profits of the industry — after taxes — for 1946 will be approximately $500,000,000, or more than four times the peacetime level.

"This is the record on the basis of which the industry is wailing and pleading for increased prices. This is the record on the basis of which the American Iron and Steel Institute in a nationwide advertisement today said 'Until OPA authorizes "fair" prices, nothing can be settled through collective bargaining.'

"The steel industry is clearly engaged in a brazen attempt to bludgeon the Government of the United States.

"Sincerely yours,
(Signed) "PHILIP MURRAY,
"President."

Vote This Year on Mil. Training Unlikely

While some members of Congress are inclined to favor the disposal of the highly controversial subject of universal military training before Christmas in order to keep it out of next year's elections, the prospects for accomplishing a House vote on the legislation on Nov. 17 when Chairman Andrew J. May (D.-Ky.), of the House Military Affairs Committee, expressed doubt that the committee could finish hearings before 1946. Mr. May stated, according to the Associated Press which reported the situation from Washington, that day, that there were still many witnesses to be heard and progress was not as rapid as had been hoped for. The press accounts added.

Representative May blamed opponents for the slow progress on President Truman's request for prompt action on legislation to require every able-bodied male to undergo one year of military training before becoming twenty years of age.

A group of committee Republicans, failing by a three-vote margin to postpone the hearings until next year, has objected to afternoon Committee sessions, defeating earlier plans to hold hearings morning and afternoon. There can be no afternoon sessions while the House is meeting—and it has been meeting almost daily—if any member of the committee objects.

Only three witnesses, Secretary of War Robert P. Patterson, General of the Army Dwight D. Eisenhower and Fleet Admiral Ernest J. King, have been heard. Waiting to testify are Navy Secretary James V. Forrestal and spokesmen for veterans' organizations, labor unions, industry, educational and religious groups and miscellaneous organizations.

In addition, the committee wants testimony from the Army and Navy on details of how they propose to operate the program if Congress gives the go-ahead.

All three witnesses have endorsed a program of peacetime military training. On Nov. 13 Secretary Patterson told the committee that the War Department was convinced that there was no alternative to universal training to safeguard national security. "In the world today, for the time being anyway, it's military power that talks," Mr. Patterson declared. On Nov. 15 General Eisenhower made it clear to the committee that he thought universal military training of vital importance, and on Nov. 16 Admiral King asserted that the Navy joins the Army in full support of peacetime training for young men, the Associated Press reported.

Trading on New York Exchanges

The Securities and Exchange Commission made public on Nov. 14 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Oct. 27, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Oct. 27 (in round-lot transactions) totaled 2,140,881 shares, which amount was 15.19% of the total transactions on the Exchange of 7,047,490 shares. This compares with member trading during the week ended Oct. 20 of 2,693,929 shares, or 13.01% of the total trading of 10,353,030 shares. On the New York Curb Exchange, member trading during the week ended Oct. 27 amounted to 1,008,690 shares or 14.06% of the total volume on that Exchange of 3,586,670 shares. During the week ended Oct. 20 trading for the account of Curb members of 1,319,510 shares was 14.36% of the total trading of 4,595,405 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED OCT. 27, 1945

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	209,580	
‡Other sales	6,837,910	
Total sales	7,047,490	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	640,750	
Short sales	119,910	
‡Other sales	534,990	
Total sales	654,900	9.19
2. Other transactions initiated on the floor—		
Total purchases	126,240	
Short sales	16,300	
‡Other sales	144,310	
Total sales	160,610	2.04
3. Other transactions initiated off the floor—		
Total purchases	267,055	
Short sales	38,700	
‡Other sales	252,626	
Total sales	291,326	3.96
4. Total—		
Total purchases	1,034,045	
Short sales	174,910	
‡Other sales	931,926	
Total sales	1,106,836	15.19

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED OCT. 27, 1945

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	86,850	
‡Other sales	3,499,820	
Total sales	3,586,670	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	251,845	
Short sales	17,445	
‡Other sales	194,685	
Total sales	212,130	6.47
2. Other transactions initiated on the floor—		
Total purchases	63,355	
Short sales	33,500	
‡Other sales	134,400	
Total sales	167,900	3.22
3. Other transactions initiated off the floor—		
Total purchases	99,785	
Short sales	34,200	
‡Other sales	183,475	
Total sales	217,675	4.37
4. Total—		
Total purchases	410,985	
Short sales	85,145	
‡Other sales	512,560	
Total sales	497,705	14.06
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	97,211	
Total purchases	97,211	
Total sales	107,202	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Steel Operations Continue to Rise—Larger Production Fails to Balance Heavy Demand

In anticipation of a possible general steel strike in the near future, most steel consumers this week were frantically attempting to have their steel shipments stepped up, states "The Iron Age" in its issue of today (Nov. 22), which further adds:

There was no chance, however, that steel customers over the next several weeks would receive any more steel supplies than has been the case in the past few weeks.

Most active steel customer in the application of pressure upon the steel industry for better deliveries is the can making industry. Strong efforts are being made by tin can manufacturers to withdraw from steel company warehouses tinplate being held there for them. Under normal conditions steel mills retain in their own storage tinplate which has been bought and paid for in large tonnage blocks by customers in order to keep it under atmospheric conditions retarding corrosion.

The rush by tinplate users to move this material to their own plants in order to provide a working backlog when and if the steel strike occurs has caused a box car shortage at some tinplate producing centers. This shortage has been aggravated by heavy use of the cars in the Middle West grain movement.

Appalled by their inability to secure delivery promises on steel for months to come, some users are attempting with little or no success to place blanket orders for delivery as far ahead as 1947 in order to assure a place on rolling mill schedules.

Fear of a general strike is putting the brakes on further expansion of steel production even though operating rates in most districts have climbed back to pre-coal strike levels. Some steel producers who banked blast furnaces at the time of the coal strike or who have had blast furnaces down for relining or repairs are holding them out of production in order to prevent damage to linings which might result from returning them to production and then shutting them down again in case of a strike.

With new steel buying continuing at a higher level, though lower than wartime peaks, order volume for 1945 will probably exceed that of 1944 by 15%. Some large producers who have encountered production difficulties report an excess of orders over shipments amounting to 50%. This does not include a large amount of business being refused because of filled rolling mill schedules.

Continued reluctance of OPA to announce higher steel prices after repeated promises on such action has served to further complicate the steel wage-price picture. The original request by the industry for higher steel prices had nothing to do with the current wage controversy, but included accumulated wage and material costs which the industry claimed were necessary for financial stability. The tardiness of the OPA in making good on its promise for a price adjustment has tied the industry's price request into the current wage demand where it definitely does not belong.

The American Iron and Steel Institute on Nov. 19 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 82.4% of capacity for the week beginning Nov. 19, compared with 80.4% one week ago, 65.1% one month ago and 95.4% one year ago. This represents an increase of 2.0 points or 2.5% from the preceding week. The operating rate for the week beginning Nov. 19 is equivalent to 1,509,300 tons of steel ingots and castings, compared to 1,472,600 tons one week ago, 1,192,400 tons one month ago, and 1,716,200 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Nov. 19 stated in part as follows:

"In spite of accelerating steel production backlogs continue to with present demand at a rate far behind on current commitments, with present demad at a rate far in excess of production for all major lines. This now extends even to plates, and premiums on this product set up during the war by OPA to relieve some producers are reappearing.

"Indications are Office of Price Administration will authorize an increase in some steel prices within a week or ten days. Under increased pressure to act on steelmakers' request for an advance up to $7 per ton, entered several months ago, it is reported that action deferred for weeks will be taken as soon as top government officials decide policy and details are worked out. Some time ago it was indicated OPA favored granting increases averaging $2 to $2.25 per ton. Whatever increases are allowed will be to compensate for past accumulated higher wages and other production costs and will not take into consideration any possible wage increase which may stem from the current wage controversy in the industry.

"Steelmakers have controlled the buying situation to a great extent by restrictions on order acceptance and by quotas, relating sales to previous consumption by buyers. In sheets, which are most in demand, various producers are refusing to accept tonnage for shipment beyond first quarter, which means under present circumstances that they are out of the market. In other products restrictions sharply limit order acceptance.

"In view of the menacing labor situation, not only in the steel industry, but in various consuming industries, pressure for steel is astonishing. Undoubtedly one factor is progress in reconversion to civilian production since the war's end, progress which would have been more rapid had it not been for labor difficulties already encountered. The question arises whether demand and perhaps actual bookings have not been in excess of actual requirements, as some trade leaders believe, on the theory that shortage in supply stimulates undue demand.

"A further step in setting up new basing points has been taken, Carnegie-Illinois Steel Corp. establishing Youngstown and Tennessee Coal, Iron & Railroad Co. making Birmingham basing points on tobacco hogshead and slack barrel hoops. Prices will be those formerly quoted at the Pittsburgh base.

"Pig iron production is increasing as fuel supply allows more blast furnaces to resume and the pinch is lessening. However, supply still is short and melters will enter the winter with far less protection than usual, causing some apprehension. Great care continues in distribution of the iron to assure supply for actual needs without inventory accumulation."

High Court Patent Ruling Criticized

The Supreme Court upheld, 6 to 2, the ruling of a Philadelphia Circuit Court in a basic patent decision, on Nov. 13, the Associated Press reported from Washington. The majority decision of the highest court, given by Chief Justice Harlan F. Stone, was criticized by Associate Justice Felix Frankfurter, who told his colleagues that if they wished to repudiate the principle of fair dealing in patents, they should do so "explicitly" and "not by circumlocution."

The Supreme Court rejected the claims of the Scott Paper Company which had charged the Marcalus Manufacturing Co., Inc., with infringement of a patent which previously had been assigned by a Marcalus official to Scott. The Third Circuit Court at Philadelphia ruled against Scott, and the company appealed to the high court. The patent claims relate to a machine which performs an operation for mounting paper cutters on box edges. The Associated Press account further reported:

Justice Stone's opinion held that Marcalus had a complete defense in its contention that the alleged infringing machine was based on an expired patent which had been granted to another inventor.

Justice Frankfurter, in attacking the majority finding, said, "The principle whereby an assignor is held to his bargain with the assignee has been part of the texture of our patent law throughout its history."

"Congress . . . has respected this principle and left it untouched," he stated. "Happily, law is not so divorced from ethical standards that a hitherto unquestioned principle of fair dealing should be deemed hostile to any branch of the law. But if the principle of fair dealing as between the assignor and the assignee of a patent that has for so long been a part of the patent law is to be repudiated judicially, it is better to do so explicitly, not by circumlocution."

Results of Treasury Bill Offering

The Secretary of the Treasury announced on Nov. 19 that the tenders of $1,300,000,000 or thereabouts of 90-day Treasury bills to be dated Nov. 23, and to mature Feb. 21, 1946, which were offered on Nov. 16, were opened at the Federal Reserve Bank on Nov. 19.

The details of this issue are as follows:

Total applied for $2,178,513,000.

Total accepted, $1,302,105,000 (includes $59,970,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99.906; equivalent rate of discount approximately 0.376% per annum.

Range of accepted competitive bids:

High, 99.908, equivalent rate of discount approximately 0.368% per annum.

Low, 99.906, equivalent rate of discount approximately 0.376% per annum.

(56% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Nov. 23 in the amount of $1,310,616,000.

Funds for Distribution to Holders of Panama Bonds

The National City Bank of New York, as fiscal agent, on Nov. 14 notified holders of Republic of Panama 35-year 5% External Secured Sinking Fund Gold Bonds, Series A, due May 15, 1963, that funds are available for distribution as an additional payment on the coupons due Nov. 15, 1941, at the rate of $4.82 for each $25 coupon and $2.41 for each $12.50 coupon.

Former Sen. Martin Dies

The death was announced Nov. 12 of George B. Martin, former United States Senator from Kentucky, the Associated Press reported from Catlettsburg, Ky. Mr. Martin was said to have been appointed to the Senate by Former Governor A. O. Stanley in 1918 to serve the remainder of the term of the late Ollie James.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Nov. 14 a summary for the week ended Nov. 3 of complete figures showing the daily volume of stock transactions for odd-lot account of al lodd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Nov. 3, 1945

	Total For Week
Odd-Lot Sales by Dealers—(Customers' purchases)	
Number of orders	38,243
Number of shares	1,110,615
Dollar value	$46,384,888
Odd-Lot Purchases by Dealers—(Customers' sales)	
Number of Orders:	
Customers' short sales	169
*Customers' other sales	32,212
Customers' total sales	32,381
Number of Shares:	
Customers' short sales	6,411
*Customers' other sales	905,005
Customers' total sales	911,416
Dollar value	$36,660,407
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	200
†Other sales	173,770
Total sales	173,970
Round-Lot Purchases by Dealers—	
Number of shares	382,100

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Bonds Used in Moody's Corporate Bond Yield Averages

RAILROADS

Aaa

Chesapeake & Ohio 4½s, 1992
Cincinnati Union Term. 2¾s, 1974
Hocking Valley 4½s, 1999
Kansas City Term. 2¾s, 1974
Norfolk & Western 4s, 1996
Terminal RR. of St. L. 2⅞s, 1985
Union Pacific B 3s, 1990

A

Chicago & Nor. West 3s, 1989
Erie RR. Ohio Div. 3¼s, 1971
Great Northern 3⅛s, 2000
Louisville & Nashville 2⅞s, 2003
N. Y. Connecting RR. 2⅞s, 1975
Pennsylvania 3⅛s, 1985
Piedmont & Northern 3¾s, 1966
Pitts., Cin., Chi., & St. Louis 3⅜s, 1975
Reading 3⅛s, 1995

Aa

Ala. Gt. So. 3¼s, 1967
Atch. Top. & S. Fe gen. 4s, 1995
Indianapolis Union 3½s, 1986
Monongahela Ry. 3¼s, 1966
Pitts., Cin., Chi. & St. L. 4½s, 1964
Virginian Ry. 3s, 1995

Baa

Chicago, Burl. & Quincy 3¾s, 1974
Clev., Cin., Chi. & St. Louis 4s, 1993
Erie 3⅛s, 2000
N. Y. Central & Hud. Riv. 3½s, 1997
N. Y., Chicago & St. Louis 3¼s, 1980
Northern Pacific 4s, 1997
Pere Marquette 3⅜s, 1980
Southern Railway 5s, 1994
Texas & Pacific 1st 5s, 2000
Wabash RR. 3¼s, 1971

PUBLIC UTILITIES

Aaa

Boston Edison 2¾s, 1970
Cincinnati Gas & El. 2¾s, 1975
Cleveland Elec. Illum. 3s, 1970
Commonwealth Edison 3s, 1977
Connecticut Lt. & Pr. 3s, 1974
Cons. Gas E. L. & P. Balt. 2¾s, 1976
Illinois Bell Tel. 2¾s, 1981
Philadelphia Electric Co. 2¾s, 1971
Public Service Electric & Gas 3s, 1972
Southwestern Bell Tel. 2¾s, 1985

A

Appalachian Electric Power 3¼s, 1970
Arkansas Power & Light 3⅛s, 1974
Central N. Y. Power 3s, 1974
Indianapolis P. & L. 3¼s, 1970
Louisiana Power & Light 3s, 1974
Ohio Edison 2¾s, 1975
Oklahoma Gas & Electric 2¾s, 1975
Potomac Edison 3s, 1974
Southwestern Gas & Electric 3¼s, 1970
Wisconsin Public Service 3¼s, 1971

Aa

Delaware Power & Light 3s, 1973
Detroit Edison 3s, 1970
Houston Light & Power 2⅞s, 1974
Metropolitan Edison 2⅞s, 1974
New York Power & Light 2¾s, 1975
Ohio Power 3s, 1971
Pacific Gas & Electric 3s, 1979
Southern California Edison 3s, 1965
Union Electric Co. of Mo. 2¾s, 1975
Virginia Electric & Power 2¾s, 1975

Baa

Alabama Power 3½s, 1972
California Electric Power 3½s, 1968
Central Illinois Electric & Gas 3s, 1975
Empire District Electric 3½s, 1969
Kentucky Utilities 4s, 1970
Mississippi Power 3⅛s, 1971
Portland General Electric 3⅛s, 1975
South Carolina Power 3s, 1975
Southwestern P. S. 3⅛s, 1974
Utah Power & Light 3¾s, 1968

INDUSTRIALS

Aaa

Standard Oil California 2¾s, 1966
Swift & Co. 2¾s, 1961
Texas Corp. 3s, 1965

A

American Tobacco 3s, 1969
Firestone Tire & Rubber 3s, 1961
General Shoe 3s, 1959
Goodrich Co. (B. F.) 2¾s, 1965
Koppers Co. 3s, 1964
Lorillard (P.) Co. 3s, 1963
National Dairy Prod. 3¼s, 1960
Skelly Oil 2¾s, 1965
Union Oil of California 2¾s, 1970

Aa

Bethlehem Steel 2¾s, 1970
Deere & Co. 2¾s, 1965
National Steel 3s, 1965
Philip Morris 3s, 1963
Phillips Petroleum 2¾s, 1964
Quaker Oats 2⅝s, 1964

Baa

Armour & Co. 3¼s, 1964
Ashland Oil & Ref. 3s, 1965
Champion Paper & Fiber 3s, 1965
Continental Baking Co. 3s, 1965
Cudahy Packing 3s, 1964
Eastern Gas & Fuel Asso. 3½s, 1965
Jones & Laughlin 3¼s, 1961
Seagram (Jos. E.) & Sons 3¼s, 1965
Wheeling Steel 3¼s, C. 1970
York Corp. 3¼s, 1960

BONDS USED IN MOODY'S U. S. TREASURY BOND AVERAGES

Partially Tax-Exempt Bonds

2¾s, 12/15/1965-60
2¾s, 6/15/1963-58

—Taxable Bonds—

2½s, 6/15/1967-62
2½s, 12/15/1968-63
2½s, 6/15/1969-64
2½s, 12/15/1969-64
2½s, 3/15/1970-65
2½s, 3/15/1971-66
2½s, 6/15/1972-67
2½s, 9/15/1972-67

Note—The list previously used in compiling the averages was given in the Jan. 14, 1943 issue of the "Chronicle" on page 202.

Electric Output for Week Ended Nov. 17, 1945 10.5% Below That for Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Nov. 17, 1945, was approximately 3,984,608,000 kwh., which compares with 4,450,047,000 kwh. in the corresponding week a year ago, and 3,948,024,000 kwh. in the week ended Nov. 10, 1945. The output for the week ended Nov. 17, 1945 was 10.5% below that of the same week in 1944.

PERCENTAGE DECREASE UNDER SAME WEEK LAST YEAR

Major Geographical Divisions—	—Week Ended— Nov. 17	Nov. 10	Nov. 3	Oct. 27
New England	6.4	4.9	4.9	2.1
Middle Atlantic	4.4	4.8	4.2	3.4
Central Industrial	12.3	12.3	11.8	12.2
West Central	1.8	1.6	1.0	0.9
Southern States	14.3	14.2	16.3	16.6
Rocky Mountain	0.5	0.8	*0.6	*3.3
Pacific Coast	12.3	11.2	12.1	7.9
Total United States	10.5	10.2	10.5	9.7

*Increase over similar week in previous year.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1945	1944	% Change over 1944	1943	1932	1929
July 7	3,978,426	3,940,854	+ 1.0	3,919,398	1,415,704	1,711,625
July 14	4,295,254	4,377,152	— 1.9	4,184,143	1,433,903	1,727,225
July 21	4,384,547	4,380,930	+ 0.1	4,196,357	1,440,386	1,732,031
July 28	4,434,841	4,390,762	+ 1.0	4,226,705	1,426,986	1,724,728
Aug. 4	4,432,304	4,399,433	+ 0.7	4,240,638	1,415,122	1,729,667
Aug. 11	4,395,337	4,415,368	— 0.5	4,287,827	1,431,910	1,733,110
Aug. 18	3,939,195	4,451,076	—11.5	4,264,824	1,436,440	1,750,056
Aug. 25	4,116,049	4,418,298	— 6.8	4,322,195	1,464,700	1,761,594
Sept. 1	4,137,313	4,414,735	— 6.3	4,350,511	1,423,977	1,674,588
Sept. 8	3,909,408	4,227,900	— 7.5	4,229,262	1,476,442	1,806,259
Sept. 15	4,106,187	4,394,839	— 6.6	4,358,512	1,490,863	1,792,131
Sept. 22	4,018,913	4,377,339	— 8.2	4,359,610	1,499,459	1,777,854
Sept. 29	4.038.542	4.365.907	— 7.5	4.359,003	1.505.216	1,819,276
Oct. 6	4,028,286	4,375,079	— 7.9	4,341,754	1,507,503	1,806,403
Oct. 13	3,934,394	4,354,575	— 9.6	4.382,268	1,528,145	1,798,633
Oct. 20	3,914,738	4,345,352	— 9.9	4,415,405	1,533,028	1,824,160
Oct. 27	3.937,420	4,358,293	— 9.7	4.452,592	1,525,410	1,815,749
Nov. 3	3,899,293	4,354,939	—10.5	4,413,863	1,520,730	1,798,164
Nov. 10	3,948,024	4,396,595	—10.2	4,482,665	1,531,584	1,793,584
Nov. 17	3,984,608	4,450,047	—10.5	4,513,299	1,475,268	1,818,169
Nov. 24		4,368,519		4,403,342	1,510,337	1,718,002
Dec. 1		4,524,257		4,560,158	1,518,922	1,806,225

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table.

MOODY'S BOND PRICES
(Based on Average Yields)

1945— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
Nov. 20	123.47	116.80	120.84	119.61	117.00	110.52	113.50	117.00	120.22
19	123.45	116.80	120.84	119.61	116.80	110.52	113.50	117.00	120.22
17	123.44	116.80	120.84	119.41	116.80	110.52	113.31	116.80	120.22
16	123.44	116.80	120.84	119.41	116.80	110.52	113.31	116.80	120.22
15	123.41	116.80	120.84	119.41	116.80	110.34	113.31	116.80	120.22
14	123.41	116.61	120.63	119.41	116.61	110.34	113.31	116.80	120.02
13	123.41	116.61	120.63	119.41	116.80	110.15	113.31	116.61	120.02
12	Stock Exchange Closed								
10	123.28	116.61	120.43	119.41	116.61	110.15	113.12	116.61	120.02
9	123.28	116.61	120.63	119.41	116.61	110.34	113.12	116.80	120.02
8	123.28	116.61	120.63	119.41	116.61	109.97	113.12	116.61	120.02
7	123.27	116.61	120.63	119.41	116.61	109.97	113.12	116.61	120.02
6	Stock Exchange Closed								
5	123.17	116.61	120.63	119.41	116.61	110.15	113.12	116.61	120.02
3	123.11	116.61	120.63	119.41	116.41	110.15	113.12	116.61	120.02
2	123.05	116.61	120.63	119.41	116.41	110.15	113.12	116.80	120.02
1	123.03	116.41	120.63	119.20	116.41	109.97	113.12	116.61	119.82
Oct. 30	122.84	116.41	120.84	119.20	116.22	109.79	112.93	116.41	120.02
23	123.03	116.22	120.63	119.20	116.22	109.42	112.75	116.41	119.82
16	122.75	116.41	120.63	119.20	116.41	109.60	112.56	116.41	120.02
9	122.81	116.22	120.84	119.00	116.22	109.24	112.37	116.22	120.02
2	122.31	116.02	120.84	118.80	115.82	108.88	112.19	116.02	119.82
Sept. 28	122.19	116.02	120.84	118.80	115.82	108.88	112.19	116.02	119.82
21	121.97	115.82	120.43	118.80	116.02	108.88	112.19	116.02	119.61
14	121.98	116.02	120.84	118.80	116.02	108.70	112.19	116.22	119.61
7	122.09	116.02	120.63	119.20	116.22	108.52	112.37	116.02	119.61
Aug. 31	122.09	116.02	120.84	119.00	116.22	108.52	112.56	116.02	119.41
24	121.91	115.82	120.63	119.00	116.02	108.16	112.56	115.63	119.41
17	121.91	115.82	120.84	119.00	116.22	108.16	112.56	115.82	119.41
10	122.14	116.02	121.04	119.20	116.02	108.34	112.93	115.82	119.41
3	122.36	115.82	120.84	119.20	116.02	108.16	112.93	115.82	119.00
July 27	122.39	115.82	120.84	119.20	115.82	108.16	112.93	115.63	119.00
June 29	122.93	116.02	121.04	119.20	116.02	108.16	112.93	115.43	119.41
May 25	122.29	115.43	120.63	118.80	115.43	107.44	112.19	114.85	119.20
Apr. 27	122.38	115.24	120.84	118.40	115.04	107.09	112.19	114.27	119.20
Mar. 31	122.01	114.85	121.04	118.40	114.85	106.04	111.25	114.27	119.20
Feb. 23	121.92	114.66	120.02	118.60	114.46	106.04	110.52	114.08	119.41
Jan. 26	120.88	113.89	119.41	118.00	113.70	105.17	109.24	113.89	118.60
High 1945	123.46	116.80	121.04	119.61	116.80	110.52	113.50	116.80	120.22
Low 1945	120.55	113.50	118.80	117.80	113.31	104.48	108.52	113.70	118.20
1 Year Ago									
Nov. 20, 1944	119.99	112.93	118.80	117.20	113.12	103.64	107.98	113.54	117.80
2 Years Ago									
Nov. 20, 1943	119.61	110.70	118.60	116.02	110.88	98.73	103.13	113.50	115.82

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1945— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus
Nov. 20	1.51	2.81	2.61	2.67	2.80	3.14	2.98	2.80	2.64
19	1.51	2.81	2.61	2.67	2.81	3.14	2.98	2.80	2.64
17	1.52	2.81	2.61	2.68	2.81	3.14	2.99	2.81	2.64
16	1.52	2.81	2.61	2.68	2.81	3.14	2.99	2.81	2.64
15	1.52	2.81	2.61	2.68	2.81	3.15	2.99	2.81	2.64
14	1.52	2.82	2.62	2.68	2.82	3.15	2.99	2.81	2.65
13	1.52	2.82	2.62	2.68	2.81	3.16	2.99	2.82	2.65
12	Stock Exchange Closed								
10	1.53	2.82	2.63	2.68	2.82	3.16	3.00	2.82	2.65
9	1.53	2.82	2.62	2.68	2.82	3.15	3.00	2.81	2.65
8	1.53	2.82	2.62	2.68	2.82	3.17	3.00	2.82	2.65
7	1.53	2.82	2.62	2.68	2.82	3.17	3.00	2.82	2.65
6	Stock Exchange Closed								
5	1.54	2.82	2.62	2.68	2.82	3.16	3.00	2.82	2.65
3	1.54	2.82	2.62	2.68	2.83	3.16	3.00	2.82	2.65
2	1.55	2.82	2.62	2.68	2.83	3.16	3.00	2.81	2.65
1	1.55	2.83	2.62	2.69	2.83	3.17	3.00	2.82	2.66
Oct. 30	1.56	2.83	2.61	2.69	2.84	3.18	3.01	2.83	2.65
23	1.55	2.84	2.62	2.69	2.84	3.20	3.02	2.83	2.66
16	1.58	2.83	2.62	2.69	2.83	3.19	3.03	2.83	2.65
9	1.57	2.84	2.61	2.70	2.84	3.21	3.04	2.84	2.65
2	1.61	2.85	2.61	2.71	2.86	3.23	3.05	2.85	2.66
Sept. 28	1.63	2.85	2.61	2.71	2.86	3.23	3.05	2.85	2.66
21	1.65	2.86	2.63	2.71	2.85	3.23	3.05	2.85	2.67
14	1.66	2.85	2.61	2.71	2.85	3.24	3.05	2.84	2.67
7	1.65	2.85	2.62	2.69	2.84	3.25	3.04	2.85	2.67
Aug. 31	1.65	2.85	2.61	2.70	2.84	3.25	3.03	2.85	2.68
24	1.67	2.86	2.62	2.70	2.85	3.27	3.03	2.87	2.68
17	1.67	2.86	2.61	2.70	2.84	3.27	3.03	2.86	2.68
10	1.65	2.85	2.60	2.69	2.85	3.26	3.01	2.86	2.68
3	1.64	2.86	2.61	2.69	2.85	3.27	3.01	2.86	2.70
July 27	1.64	2.86	2.61	2.69	2.86	3.27	3.01	2.87	2.70
June 29	1.60	2.85	2.60	2.69	2.85	3.27	3.01	2.88	2.68
May 25	1.64	2.88	2.62	2.71	2.88	3.31	3.05	2.91	2.69
Apr. 27	1.63	2.89	2.61	2.73	2.90	3.33	3.05	2.94	2.69
Mar. 31	1.66	2.91	2.60	2.73	2.91	3.39	3.10	2.94	2.69
Feb. 23	1.69	2.92	2.65	2.72	2.93	3.39	3.14	2.95	2.68
Jan. 26	1.77	2.96	2.68	2.75	2.97	3.44	3.21	2.96	2.72
High 1945	1.80	2.98	2.71	2.76	2.99	3.48	3.25	2.97	2.74
Low 1945	1.52	2.81	2.60	2.67	2.81	3.14	2.98	2.81	2.64
1 Year Ago									
Nov. 20, 1944	1.84	3.01	2.71	2.79	3.00	3.53	3.28	2.98	2.76
2 Years Ago									
Nov. 20, 1943	1.87	3.13	2.72	2.85	3.12	3.83	3.56	2.98	2.86

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

Pearl Harbor Investigation Under Way

The joint ten-man investigating committee in Congress on Nov. 15 started its formal inquiry into the Pearl Harbor military disaster of Dec. 7, 1941, according to Associated Press Washington dispatches. No one remotely connected with the events leading up to that fateful day is to be spared the scrutiny of the Committee, it is stated.

Information uncovered in the second day of the investigation showed that the Navy ordered the convoying of merchant shipping in the Pacific twelve days before the Japanese attack, the Associated Press reported on Nov. 16, adding that Rear Admiral T. B. Inglis put into the record of the investigation a copy of an order issued Nov. 25, 1941, by Admiral Harold E. Stark, then Chief of Naval Operations. Admiral Inglis, a naval intelligence officer, stated, according to the Associated Press, that he believed there were two convoys in the Pacific at the time of Pearl Harbor. The Associated Press also stated.

During the investigation on the 16th the Cruiser Boise's pre-Pearl Harbor movements, said the Associated Press became a top question for Congressional investigators after Republicans suggested that its crew sighted at sea the Japanese fleet which attacked the Hawaiian stronghold, but failed to report it because of orders for "radio silence."

The Boise angle was brought up after Democrats and Republicans clashed vigorously over procedure during the second day of testimony which also brought the following developments:

Disclosure that the Navy had ordered the convoying of merchant vessels in the Pacific twelve days before the Japanese attack.

A suggestion by Representative Gearhart (R.-Cal.) that General MacArthur was ordered in the Philippines not to fire on the Japanese until they fired first.

A further suggestion by the Californian that it was "strangely significant" that radar on the Hawaiian island of Oahu was ordered shut down at 7 a.m., an hour, he said, which was recognized as the most propitious for attack.

Testimony that the carrier Enterprise launched eighteen scout bombers 200 miles west of Pearl Harbor almost two hours before the Japanese struck the base.

Senator Ferguson, (R.-Mich.), developed from Admiral Inglis, a witness, that the Navy on Nov. 25, 1941, ordered merchant ships in the Pacific convoyed.

Under Mr. Ferguson's questioning, Admiral Inglis read an order which he said was issued on that date by Admiral Stark, directing that trans-Pacific shipping follow a southern route and that the fleet "provide necessary escort."

Mr. Gearhart brought out from the witness that the American fleet in the Pacific was numerically inferior to the Japanese when the transfer of some ships to the Atlantic was ordered in May, 1941.

The Californian said three battleships, one aircraft carrier, four cruisers and nine destroyers were transferred from the Pacific to the Atlantic.

Under Mr. Gearhart's direction, Admiral Inglis calculated that even if those transfers had not been made, the United States would have had in the Pacific sixty-three ships of the categories down to destroyers in the Pacific, compared with Japan's 109.

Norwegian Embassy on Exchange Control

The Federal Reserve Bank of New York has received the following by letter dated Nov. 9, 1945, from the Norwegian Embassy, Washington, D. C.:

> "With reference to my letter of Oct. 23 concerning the Norwegian foreign exchange control, I wish to refer to the following period at the end of my letter: 'For payments requested by a Norwegian bank by letter or telegram to a U. S. bank it suffices that the communication states that Norges Bank's permission has been obtained.'
>
> "I believe that at present Norwegian banks when ordering payments are usually adding that Norges Bank's permission has been obtained. However, as the Norwegian banks are cooperating with Norges Bank in the execution of the foreign exchange control, such permission can always be assumed to have been received by the bank even though not explicitly stated in the payment request.
>
> "I, therefore, now wish to state that U. S. banks may effect all payments requested by Norwegian banks regardless of whether it is stated or not that Norges Bank's permission has been obtained."

(Text of the Embassy's letter of Oct. 23 was given in the "Chronicle" of Nov. 15, on page 2372.)

Moody's Daily Commodity Index

Tuesday, Nov. 13, 1945	263.6
Wednesday, Nov. 14	263.9
Thursday, Nov. 15	263.8
Friday, Nov. 16	263.8
Saturday, Nov. 17	263.8
Monday, Nov. 19	263.8
Tuesday, Nov. 20	263.6
Two weeks ago, Nov. 5	262.8
Month ago, Oct. 20	261.3
Year ago, Nov. 20, 1944	248.1
1944 High, Dec. 31	254.4
Low, Nov. 1	245.7
1945 High, Nov. 14	263.9
Low, Jan. 24	252.1

Weekly Coal and Coke Production Statistics

The total production of bituminous coal and lignite in the week ended Nov. 10, 1945, as estimated by the United States Bureau of Mines, was 12,460,000 net tons, a decrease of 10,000 tons from the preceding week. Output in the corresponding week of 1944, curtailed by a partial observance of Armistice Day, was 10,820,000 tons. For the period from Jan. 1 to Nov. 10, 1945, production amounted to 494,640,000 tons, a decrease of 8.8% when compared with the 542,154,000 tons produced during the period from Jan. 1 to Nov. 11, 1944.

Production of Pennsylvania anthracite for the week ended Nov. 10, 1945, as estimated by the Bureau of Mines, was 1,172,000 tons, an increase of 323,000 tons (38%) over the preceding week. When compared with the output in the corresponding week of 1944 there was an increase of 27,000 tons, or 2.4%. The calendar year to date shows a decrease of 14.8% when compared with the corresponding period of 1944.

The Bureau also reported that the estimated production of beehive coke in the United States for the week ended Nov. 10, 1945 showed an increase of 1,500 tons when compared with the output for the week ended Nov. 3, 1945; but was 38,500 tons less than for the corresponding week of 1944.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE

(In Net Tons)

	Week Ended			Jan. 1 to Date	
Bituminous coal & lignite:	Nov. 10, 1945	Nov. 3, 1945	Nov. 11 1944	*Nov. 10, 1945	Nov. 11, 1944
Total, incl. mine fuel	12,460,000	12,470,000	10,820,000	494,640,000	542,154,000
Daily average	2,077,000	2,078,000	1,967,000	1,867,000	2,024,000

*Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

(In Net Tons)

	Week Ended			Calendar Year to Date		
Penn. Anthracite—	‡Nov. 10, 1945	§Nov. 3, 1945	Nov. 11, 1944	Nov. 10, 1945	Nov. 11, 1944	Nov. 13, 1937
*Total incl. coll. fuel	1,172,000	849,000	1,145,000	47,692,000	55,994,000	44,720,000
†Commercial produc.	1,125,000	815,000	1,099,000	45,787,000	53,754,000	42,484,000
Beehive coke—						
United States total	77,400	75,900	115,900	4,609,100	6,253,000	2,944,900

*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES, IN NET TONS

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended		
State—	Nov. 3, 1945	Oct. 27, 1945	Nov. 4, 1944
Alabama	409,000	394,000	359,000
Alaska	6,000	5,000	7,000
Arkansas and Oklahoma	109,000	97,000	99,000
Colorado	155,000	159,000	152,000
Georgia and North Carolina	1,000	1,000	*
Illinois	1,516,000	1,486,000	1,528,000
Indiana	566,000	563,000	534,000
Iowa	47,000	55,000	58,000
Kansas and Missouri	120,000	108,000	156,000
Kentucky—Eastern	1,060,000	930,000	1,035,000
Kentucky—Western	432,000	445,000	382,000
Maryland	39,000	43,000	35,000
Michigan	3,000	3,000	2,000
Montana (bitum. & lignite)	90,000	93,000	89,000
New Mexico	31,000	30,000	32,000
North & South Dakota (lignite)	78,000	77,000	62,000
Ohio	803,000	786,000	637,000
Pennsylvania (bituminous)	2,777,000	2,713,000	2,691,000
Tennessee	150,000	132,000	155,000
Texas (bituminous & lignite)	2,000	1,000	1,000
Utah	131,000	120,000	127,000
Virginia	335,000	357,000	396,000
Washington	33,000	31,000	30,000
†West Virginia—Southern	2,223,000	2,097,000	2,143,000
‡West Virginia—Northern	1,038,000	1,135,000	1,114,000
Wyoming	216,000	218,000	195,000
§Other Western States	*	1,000	*
Total bituminous & lignite	12,470,000	12,130,000	12,019,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

Labor Department Reports Wholesale Prices For Week Ended November 10, 1945

For the eighth consecutive week, primary market prices advanced during the week ended Nov. 10, 1945, said the U.S. Department of Labor in its report on wholesale prices issued Nov. 15. Higher prices for both agricultural and industrial commodities resulted in a rise of 0.2% in the index of commodity prices in primary markets prepared by the Bureau of Labor Statistics, U. S. Department of Labor, bringing the index to 106.1% of the 1926 average, equal to the high point reached during the war. Average prices for farm products, foods, fuel and lighting materials and chemicals, still were slightly below wartime peaks, but all other major commodity groups were at, or above, the highest level reached during the war. The group index for all commodities other than farm products and foods moved up during the week to 100.2% of the 1926 average, the highest point since the beginning of the war. Average commodity prices during the week ended Nov. 10 were 0.8% above a month earlier and 1.9% above the corresponding week of last year.

Farm Products and Foods—Average prices for farm products rose 0.3% during the week with higher prices for grains and fresh fruits and vegetables. Quotations for grains were generally higher, with their usual seasonal movement accentuated by a shortage of shipping space. Cotton quotations advanced and prices for eggs and apples were fractionally higher. Price movements for livestock were mixed, with steers and hogs remaining close to ceiling. Quotations for lambs dropped. Average prices for farm products were 2.5% above four weeks ago and 4.1% above mid-November 1944.

Higher prices for fruits and vegetables and butter raised the group index for foods by 0.4% during the week. Quotations for butter in most areas completed their adjustment to higher ceilings following the removal of subsidies. In addition, quotations for canned tomatoes rose under higher ceilings allowed for the 1945 pack to cover increased costs. Prices for wheat flour dropped with the increase in subsidy payments to millers.

Other Commodities — Average prices for other commodities moved up fractionally during the week. Quotations for some cotton goods and artificial leather rose, following ceiling increases allowed by OPA. Mill realizations for western pine lumber averaged fractionally higher and turpentine quotations advanced. Higher prices were reported for some types of builders' hardware under ceiling increases granted earlier by OPA to encourage the production of materials for low and medium priced houses.

The following notation was included in the Labor Department's report:

Note—During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. The indexes must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) indexes for the past three weeks, for Oct. 13, 1945 and Nov. 11, 1944 and (2) percent changes in subgroup indexes from Nov. 3, 1945 to Nov. 10, 1945.

WHOLSALE PRICES FOR WEEK ENDED NOV. 10, 1945

(1926 = 100)

						Percentage changes to Nov. 10, 1945 from—		
Commodity Groups—	11-10 1945	11-3 1945	10-27 1945	10-13 1945	11-11 1944	11-3 1945	10-13 1945	11-11 1944
All commodities	106.1	105.9	105.7	105.3	104.1	+0.2	+0.8	+1.9
Farm products	129.5	129.1	127.7	126.3	124.4	+0.3	+2.5	+4.1
Foods	107.0	106.6	106.0	105.2	104.9	+0.4	+1.7	+2.0
Hides and leather products	119.1	119.1	119.1	118.4	116.7	0	+0.6	+2.1
Textile products	100.5	100.0	99.9	99.9	98.9	+0.5	+0.6	+1.6
Fuel and lighting materials	84.5	84.5	84.7	84.5	83.5	0	0	+1.2
Metals and metal products	105.3	105.2	105.2	104.8	103.8	+0.1	+0.5	+1.4
Building materials	118.6	118.2	118.1	118.0	116.4	+0.3	+0.5	+1.9
Chemicals and allied products	95.5	95.5	95.5	95.3	94.7	0	+0.2	+0.8
Housefurnishing goods	106.4	106.4	106.3	106.3	106.1	0	+0.1	+0.3
Miscellaneous commodities	94.6	94.6	94.6	94.6	93.4	0	0	+1.3
Raw materials	118.6	118.2	117.4	116.6	114.3	+0.3	+1.7	+3.8
Semimanufactured articles	96.8	96.7	96.7	95.9	94.7	+0.1	+0.9	+2.2
Manufactured products	102.2	101.9	101.9	101.9	101.1	+0.3	+0.3	+1.1
All commodities other than farm products	101.0	100.8	100.8	100.7	99.7	+0.2	+0.3	+1.3
All commodities other than farm products and foods	100.2	100.1	100.1	100.0	98.8	+0.1	+0.2	+1.4

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM NOVEMBER 3, 1945 TO NOVEMBER 10, 1945

Increases

Dairy products	1.9	Other textile products	0.5
Cotton goods	1.5	Other farm products	0.4
Grains	1.1	Iron and steel	0.3
Other building materials	0.7	Lumber	0.1
Fruits and vegetables	0.6	Paint and paint materials	0.1

Decrease

Cereal products	0.2

Civil Engineering Construction Totals $76,318,000 for Week

Civil engineering volume in continental United States totals $76,318,000 for the week ending Nov. 15, 1945. This volume is 67% higher than last week's and 159% higher than the corresponding week last year. The week's total is also 14% greater than the previous four-week moving average as reported to "Engineering News-Record." The report issued on Nov. 15, added:

Private construction continued to climb this week and is 84% greater than last week's volume and 840% greater than the week last year. Public construction is 32% greater than last week and 2% greater than last year's week. State and municipal construction dropped 1% below last week's figure but is 100% greater than a year ago. Federal construction is found to be 140% greater than last week, but this does not present a true picture of federal construction trends as last week was a short (four-day) week; the more representative figure is found by noting that this week's federal volume is 39% below that of last year's week.

The current week's construction brings the 1945 cumulative volume to $1,945,634,000 for the 46-week period, a 23% gain over the like period of 1944. Private construction's cumulative volume is 170% over last year, and state and municipal volume, 49% over last year. The decrease in public construction of 16% is largely due to the 29% decrease in federal work.

Civil engineering construction volumes for the current week, last week and the 1944 week are:

	Nov. 15, 1945	Nov. 8, 1945	Nov. 16, 1944
Total U. S. Construction	$76,318,000	$45,828,000	$29,400,000
Private Construction	56,070,000	30,452,000	9,650,000
Public Construction	20,248,000	15,376,000	19,750,000
State & Municipal	11,762,000	11,843,000	5,861,000
Federal	8,486,000	3,533,000	13,889,000

In the classified construction groups, seven of the nine classes showed gains over last week as follows: sewerage, highways, earthwork and waterways, industrial and commercial buildings, unclassified and a slight gain in public buildings. Industrial and commercial buildings showed large gains over the week last year; other classes that gained over the week last year are: bridges, highways, earthwork and waterways and unclassified.

New capital for construction purposes this week totals $14,627,000 and is made up of $8,834,000 in corporate securities issues, and $5,793,000 in state and municipal bonds. The week's financing brings 1945 volume to $1,737,749,000, a 3% increase over the $1,681,178,000 reported for the 45-week period of 1944.

Bank Debits for Month of October

The Board of Governors of the Federal Reserve System issued on Nov. 13 its usual monthly summary of "bank debits" which we give below:

SUMMARY BY FEDERAL RESERVE DISTRICTS

(In millions of dollars)

			—3 Months Ended—	
Federal Reserve District—	Oct. 1945	Oct. 1944	Oct. 1945	Oct. 1944
Boston	3,610	3,403	10,144	9,525
New York	37,346	30,907	99,657	88,484
Philadelphia	3,457	3,132	9,559	9,239
Cleveland	4,667	4,806	13,624	14,128
Richmond	3,082	2,749	8,657	7,998
Atlana	2,694	2,519	7,582	7,378
Chicago	10,871	11,794	31,091	33,626
St. Louis	2,254	2,141	6,189	6,069
Minneapolis	1,689	1,522	4,778	4,316
Kansas City	2,536	2,389	7,578	7,185
Dallas	2,199	2,092	6,332	6,185
San Francisco	7,209	6,439	20,801	19,271
Total, 334 centers	81,614	73,891	225,991	213,405
*New York City	34,984	28,558	92,917	81,584
*140 other centers	39,004	38,336	111,489	111,432
193 other centers	7,626	6,997	21,585	20,389

*Included in the national series covering 141 centers, available beginning in 1919.

Senate Banking Group Supports Housing Plan

Democratic and Republican leaders of the Senate Banking Committee reported after a conference Nov. 12, that accord had been reached within the committee on new housing legislation covering special inducements for private builders to construct homes costing $5,000 and less. Senator Robert F. Wagner (D.-N. Y.), committee Chairman, and Senators Robert A. Taft (R.-Ohio) and Allen J. Ellender (D.-La.) are said to concur on all major points, according to Associated Press Washington advices, which went on to say:

The measure is a revision of an earlier Wagner-Ellender bill to meet criticism advanced by Senator Taft and others and to incorporate some additional features, particularly for low-cost homes.

It is a fresh attempt, too, to implement a general administration housing program aimed at encouraging construction of 1,250,000 dwelling units a year for each of the next 10 years.

Here are its chief features in the low-cost field:

1. Authorization for the Federal Housing Administrator to guarantee mortgages up to 95% of the appraised value on low-cost homes. The interest rate could not exceed 4% (plus one-half of 1% insurance charge), and amortization could run for as long as 32 years.

The administrator would have discretionary powers as to what was a "low-cost" home to be included in this program, but it could not be applied to any home costing more than $5,000.

Senator Taft said that in practice he thought this would work out so that the program would apply to homes costing $5,000 or less in areas of high building costs but that the "ceiling" might be $4,500 or less in sections where building costs are lower.

2. Mortgage guaranties up to 95% of value on "mutual housing" constructed under 3½%, 40-year loans. The idea here is that a group of persons might form a co-operative, buy land and have homes built for themselves. It is argued that the lender, having to deal with only a single cooperative, could handle the loan at less cost than if he dealt with 40 or 50 individuals. An insurance charge of ½ of 1% would be made on such guaranties.

3. Guaranties of mortgages up to 90% of value on rental housing where the builders accepted a rent scale approved by the Federal Housing Administrator. Such loans would have to be at no more than 3½% interest and ½ of 1% would be charged for the insurance.

Senator Ellender described the whole program as aimed to aid those who are a little too well off for public housing and are not financially able to take advantage of present FHA programs.

As a rough rule of thumb, he said, public housing now takes care of those who can pay no more than $20 a month for housing and the present FHA program is geared for persons who can pay $40 and up.

"This should close the gap," he said.

FHA mortgage guaranties now may not exceed 90% of the value of a home. In effect, that means the buyer must be able to make a down payment of 10%.

The 95% guaranty would permit much smaller down payments.

The new measure retains public housing and urban redevelopment features of the Wagner-Ellender bill.

Under the proposed urban redevelopment program, the Federal Government would extend financial aid to cities which bought up "blighted areas," razed and redeveloped them.

Daily Average Crude Oil Production for Week Ended Nov. 10, 1945 Increased 132,850 Bbls.

For the fifth consecutive week, the daily average gross crude oil production showed an increase, according to the American Petroleum Institute which estimated daily output during the week ended Nov. 10, 1945 at 4,451,200 barrels. This was a gain of 132,850 barrels per day over the preceding week, but was 276,200 barrels per day less than the production in the corresponding week of 1944, and 148,800 barrels below the daily average figure of 4,600,000 barrels recommended by the Bureau of Mines for the month of November, 1945. Daily output for the four weeks ended Nov. 10, 1945 averaged 4,319,850 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,789,000 barrels of crude oil daily and produced 15,793,000 barrels of gasoline; 1,724,000 barrels of kerosine; 4,851,000 barrels of distillate fuel, and 8,587,000 barrels of residual fuel oil during the week ended Nov. 10, 1945; and had in storage at the end of that week 52,471,000 barrels of civilian grade gasoline; 25,717,000 barrels of military and other gasoline; 12,739,000 barrels of kerosine; 45,126,000 barrels of distillate fuel, and 45,936,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*B. of M. Calculated Requirements November	State Allowables Begin. Nov. 1	Actual Production Week Ended Nov. 10, 1945	Actual Production Change from Previous Week	4 Weeks Ended Nov. 10 1945	Week Ended Nov. 11, 1944
Oklahoma	390,000	390,000	†390,150	+ 27,350	370,400	359,400
Kansas	270,000	249,000	†243,800	+ 1,950	256,150	266,000
Nebraska	800	----	†750	— 50	800	1,000
Panhandle Texas			81,000	— 4,000	85,500	94,150
North Texas			147,100	+ 7,300	138,900	151,200
West Texas			457,750	+ 35,300	418,050	473,950
East Central Texas			128,000	+ 5,800	118,900	144,600
East Texas			316,000	+ 8,000	307,000	367,900
Southwest Texas			300,100	+ 17,300	280,650	347,100
Coastal Texas			464,250	+ 34,500	425,450	553,400
Total Texas	1,990,000	‡2,016,198	1,894,200	+104,200	1,774,450	2,132,300
North Louisiana			74,150	+ 700	71,750	71,850
Coastal Louisiana			293,650	+ 4,950	288,100	291,300
Total Louisiana	365,000	398,000	367,800	+ 5,650	359,850	363,150
Arkansas	78,000	77,311	76,100	+ 1,050	75,350	80,750
Mississippi	48,000		53,500	— 350	52,950	51,500
Alabama	300		550	+ 400	200	300
Florida	----		150	----	150	50
Illinois	215,000		207,200	+ 1,500	208,450	205,000
Indiana	13,500		13,900	+ 250	13,750	13,150
Eastern— (Not incl. Ill., Ind., Ky.)	65,200		61,450	— 4,850	63,350	65,950
Kentucky	28,000		28,900	— 600	29,300	30,350
Michigan	47,000		47,200	+ 1,100	44,900	50,000
Wyoming	92,000		95,500	— 850	99,050	92,150
Montana	23,200		19,550	+ 50	19,900	21,350
Colorado	12,000		21,400	+ 650	19,800	9,800
New Mexico	102,000	104,000	94,200	----	97,050	104,900
Total East of Calif.	3,740,000		3,616,300	+137,450	3,485,850	3,847,100
California	860,000	§824,000	834,900	— 4,600	834,000	880,300
Total United States	4,600,000		4,451,200	+132,850	4,319,850	4,727,400

*These are Bureau of Mines calculations of the requirements of domestic crude oil (after deductions of condensate and natural gas derivatives) based upon certain premises outlined in its detailed forecast for the month of November. As requirements may be supplied either from stocks of from new production, contemplated withdrawals from crude oil inventories must be deducted from the Bureau's estimated requirements to determine the amount of new crude to be produced. In some areas the weekly estimates do, however, include small but indeterminate amounts of condensate which is mixed with crude oil in the field.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. Nov. 7, 1945.

‡This is the net basic allowable as of Nov. 1 calculated on a 30-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 1 to 13 days, the entire state was ordered shut down for 6 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 6 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED NOV. 10, 1945

(Figures in thousands of barrels of 42 gallons each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	% Daily Refining Capacity Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	§Gasoline Production at Ref. Inc. Nat. Blended	‡Stocks of Gas Oil & Dist. Fuel Oil	‡Stocks of Residual Fuel oil	‡Gasoline Stocks Military and Other	‡Gasoline Stocks Civilian Grade
East Coast	99.5	816	103.2	2,178	15,405	6,876	5,039	11,933
Appalachian—								
District No. 1	76.8	97	66.4	375	626	200	811	1,605
District No. 2	81.2	54	108.0	186	129	200	129	640
Ind., Ill., Ky.	87.2	805	93.9	3,084	6,479	3,334	3,936	12,373
Okla., Kan., Mo.	78.3	356	75.9	1,346	2,857	1,140	1,261	5,765
Inland Texas	59.8	231	70.0	1,011	487	1,018	1,041	1,733
Texas Gulf Coast	89.3	1,184	95.7	3,772	6,075	5,365	5,245	7,657
Louisiana Gulf Coast	96.8	300	115.4	946	2,093	1,607	851	2,041
No. La. & Arkansas	55.9	58	46.0	174	506	352	26	1,751
Rocky Mountain—								
District No. 3	17.1	13	100.0	36	20	28	15	88
District No. 4	72.1	102	64.2	413	519	739	346	1,127
California	86.5	773	79.9	2,272	9,930	25,077	7,017	5,758
Total U. S. B. of M. basis Nov. 10, 1945	85.7	4,789	88.6	15,793	45,126	45,936	*25,717	52,471
Total U. S. B. of M. basis Nov. 3, 1945	85.7	4,807	88.9	15.234	†44,810	46,128	25,858	†50,693
U. S. B. of M. basis Nov. 11, 1944		4,682		14,687	47,281	64,122	38,946	38,927

*Includes aviation and military gasoline, finished and unfinished, title to which still remains in the name of the producing company; solvents, naphthas, blending stocks currently indeterminate as to ultimate use, and 8,739,000 barrels unfinished gasoline this week, compared with 11,947,000 barrels a year ago. These figures do not include any gasoline on which title to which has already passed, or which the military forces may actually have in custody in their own or leased storage. †Revised in East Coast. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,724,000 barrels of kerosine, 4,851,000 barrels of gas oil and distillate fuel oil and 8,587,000 barrels of residual fuel oil produced during the week ended Nov. 10, 1945, which compared with 1,622,000 barrels, 4,986,000 barrels and 8,922,000 barrels, respectively, in the preceding week and 1,528,000 barrels, 4,476,000 barrels and 9,468,000 barrels, respectively, in the week ended Nov. 11, 1944.

Note—Stocks of kerosine at Nov. 10, 1945 amounted to 12,739,000 barrels, as against 12,705,000 barrels a week earlier and 14,138,000 barrels a year before.

National Fertilizer Association Commodity Price Index Breaks Through to New High Peak

The weekly wholesale commodity price index compiled by The National Fertilizer Association and made public on Nov. 13, advanced for the week ending Nov. 10, 1945, from 141.7 in the preceding week to a new all-time peak of 142.0. The index broke through from its previous high level which it had reached in four previous weeks, in June, August and November. This new high point that the index has reached is only 1.4% higher than it was at the beginning of 1945. A month ago the index stood at 140.6, and a year ago at 139.5, all based on the 1935-1939 average as 100. The Association's report went on to say:

Increased prices for farm products and foods were responsible for the rise in the general index. The farm products group showed the largest gains and reached a new all-time peak, with its three subgroups, cotton, grains, and livestock, sharing in the advance and continuing their upward trend to new high peaks. The foods index advanced fractionally, also breaking through to a new high point. Higher quotations for eggs and potatoes were responsible for this advance. The textiles index continued its advance, this being the eleventh consecutive week that this index has risen. All of the remaining groups of the composite index remained unchanged.

During the week 8 price series in the index advanced and none declined; in the preceding week 7 advanced and 4 declined; in the second preceding week 12 advanced and 2 declined.

WEEKLY WHOLESALE COMMODITY PRICE INDEX

Compiled by The National Fertilizer Association

1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Nov. 10, 1945	Preceding Week Nov. 3, 1945	Month Ago Oct. 13, 1945	Year Ago Nov. 11, 1944
25.3	Food	145.0	144.6	142.3	143.7
	Fats and Oils	146.6	146.6	145.2	145.1
	Cottonseed Oil	163.1	163.1	163.1	163.1
23.0	Farm Products	173.1	172.0	168.4	164.6
	Cotton	226.6	224.2	218.2	204.1
	Grains	167.6	165.8	166.0	157.3
	Livestock	166.8	166.1	161.6	161.0
17.3	Fuels	129.8	129.9	129.7	130.4
10.8	Miscellaneous Commodities	132.8	132.8	132.8	133.2
8.2	Textiles	160.5	160.1	159.0	155.1
7.1	Metals	109.8	109.8	109.6	104.0
6.1	Building Materials	154.7	154.7	154.7	154.1
1.3	Chemicals and Drugs	126.2	126.2	125.8	126.1
.3	Fertilizer Materials	118.3	118.3	118.3	118.3
.3	Fertilizers	119.9	119.9	119.9	119.9
.3	Farm Machinery	105.0	105.0	104.9	104.7
100.0	All groups combined	142.0	141.7	140.6	139.5

*Indexes on 1926-1928 base were: Nov. 10, 1945, 110.6; Nov. 3, 1945, 110.4, and Nov. 11, 1944, 108.7.

Non-Ferrous Metals—Copper Deliveries Up—Lead Buying Active—Quicksilver Price Firm

"E. & M. J. Metal and Mineral Markets," in its issue of Nov. 15, state: "Metal producers last week were more concerned with the demands of labor in key industries than in their own affairs. Work stoppages would have a direct bearing on consumption of non-ferrous metals. So far, the demand for copper, lead, and zinc has been better than generally expected for the early reconversion period. Quicksilver was quiet, but firmer at an advance of $1 per flask." The publication further went on to say in part as follows:

Copper

The October statistics of Copper Institute revealed that deliveries of refined copper to customers totaled 104,214 tons, of which 110 tons was exported. That October deliveries would be larger than those of the preceding month was expected, particularly in view of the fact that September was beset with labor troubles at both refineries and consuming plants. Production of refined copper in this country increased from 45,145 tons in September to 70,363 tons in October.

Brass mills have appealed to OPA for an upward revision of ceiling prices, holding that production for the peacetime market is more costly than under war conditions, and that higher prices are necessary for profitable operations.

Lead

Sales of lead during the last week were in good volume, involving 8,249 tons. Demand was active throughout the week and producers report that they could have sold substantially more metal had they been in a position to do so. Consumers anxious for more lead included battery makers, cable makers, and manufacturers of pigments. November requirements of consumers have been covered to the extent of 98%; consequently interest at present centers largely in December. With domestic production of refined lead amounting to roughly 44,000 tons a month, between 20,000 and 25,000 tons of foreign metal will be needed next month to meet the needs of consumers. The price structure in lead is strong.

Receipts of lead in ore and scrap by smelters amounted to 44,554 tons in September, against 41,132 tons in August. Receipts of lead in ore totaled 37,587 tons, of which 10,642 tons originated outside of this country.

Zinc

Buying of zinc during the last week was in fair volume, with interest centering in Prime Western and Special High Grade. Except for the disturbed labor situation, demand for zinc would have been better. Under present unsettled conditions most consumers are limiting their purchases to nearby metal.

There was growing interest among smelters in the possibility that the subsidy now paid for treating Tri-State concentrates may end Dec. 31. So far as can be learned, nothing definite has been decided on this question. Some members of the industry believe that hasty action on smelter subsidies might open up the whole premium price controversy.

Production of galvanized sheets in September amounted to 128,780 tons against 134,523 tons in August and 121,113 tons in September last year, the American Iron and Steel Institute reports.

Antimony

Demand for antimony remains active and the supply situation is viewed as tight in all directions. World supplies are not expected to increase appreciably until China again becomes a factor in the market. Before the war, when world production averaged around 38,000 tons of antimony a year, China's contribution totaled close to 17,000 tons. Authorities in Washington continue to list antimony among the metals in light supply.

Tin

There is good reason to believe that tin production (in Malaya) can be resumed quickly, if on a small scale, "The Economist," London, reports. There are still no hard facts about the condition of the dredges, the publication declared in a recent issue, and it is feared that many of the 122 installations have been damaged. But not all the properties were equipped with modern dredges. In 1940, little more than half the output of 80,700 tons was extracted by dredging. Some 28,300 tons was obtained by gravel pumping, and the remainder was won by various methods. A postwar tin scheme would seem worth while, the British paper holds, though it would have to be sanctioned and supervised by the governments of the major producing and consuming countries.

The tin situation in this country remains unchanged. Quotations continued on the basis of 52¢ per pound for Straits quality tin. Forward quotations follow:

	Nov.	Dec.	Jan.
Nov. 8	52.000	52.000	52.000
Nov. 9	52.000	52.000	52.000
Nov. 10	52.000	52.000	52.000
Nov. 12		— Holiday —	
Nov. 13	52.000	52.000	52.000
Nov. 14	52.000	52.000	52.000

Chinese, or 99% tin, continued at 51.125¢ per pound.

Quicksilver

Though the market was inactive throughout the week that ended Nov. 14, there was no selling pressure from either domestic producers or importers, and the price was firm at $107 to $110 per flask, depending on quantity. This is $1 per flask higher than in the preceding week. Domestic consumption at present is able to absorb domestic production, and, unless foreign metal is again offered at concessions, a fairly stable market is thought likely for the remainder of the year.

San Francisco, Nov. 14—Market quiet. According to a San Francisco dispatch dated Nov. 14, the market was quiet, with December shipment metal quoted at $106 per flask, New York basis.

Silver

The New York Official price of foreign silver was unchanged at 70¾¢ an ounce.

London reported a quiet market, with the price unchanged at 44d. an ounce.

Treasury Calls Bonds For Redemption

The Secretary of the Treasury announced on Nov. 14 that all outstanding 3¾% Treasury bonds of 1946-56 are called for redemption on March 15, 1946. There are now outstanding $489,080,100 of these bonds.

The text of the formal notice of call is as follows:

3¾% Treasury Bonds of 1946-56
Notice of Call for Redemption

To holders of 3¾% Treasury bonds of 1946-56 and others concerned:

1. Public notice is hereby given that all outstanding 3¾% Treasury bonds of 1946-56, dated March 15, 1926, are hereby called for redemption on March 15, 1946, on which date interest on such bonds will cease.

2. Holders of these bonds may, in advance of the redemption date, be offered the privilege of exchanging all or any part of their called bonds for other interest-bearing obligations of the United States, in which event public notice will hereafter be given and an official circular governing the exchange offering will be issued.

3. Full information regarding the presentation and surrender of the bonds for *cash* redemption under this call will be found in Department Circular No. 666, dated July 21, 1941.

Revenue Freight Car Loadings During the Week Ended Nov. 10, 1945 Decreased 13,744 Cars

Loading of revenue freight for the week ended Nov. 10, 1945, totaled 838,218 cars, the Association of American Railroads announced on Nov. 15. This was a decrease below the corresponding week of 1944 of 1,286 cars, or 0.2%, and a decrease below the same week in 1943 of 9,754 cars or 1.2%.

Loading of revenue freight for the week of Nov. 10 decreased 13,744 cars, or 1.6% below the preceding week.

Miscellaneous freight loading totaled 366,347 cars, a decrease of 2,505 cars below the preceding week, and a decrease of 28,139 cars below the corresponding week in 1944.

Loading of merchandise less than carload lot freight totaled 116,493 cars, an increase of 264 cars above the preceding week and an increase of 8,288 cars above the corresponding week in 1944.

Coal loading amounted to 183,684 cars, an increase of 3,000 cars above the preceding week, and an increase of 28,180 cars above the corresponding week in 1944.

Grain and grain products loading totaled 57,340 cars, a decrease of 1,730 cars below the preceding week, but an increase of 5,829 cars above the corresponding week in 1944. In the Western Districts alone, grain and grain products loading for the week of Nov. 10 totaled 36,276 cars, a decrease of 1,098 cars below the preceding week, but an increase of 2,947 cars above the corresponding week in 1944.

Livestock loading amounted to 25,942 cars, a decrease of 1,888 cars below the preceding week but an increase of 3,495 cars above the corresponding week in 1944. In the Western Districts alone loading of livestock for the week of Nov. 10 totaled 20,821 cars, a decrease of 2,228 cars below the preceding week but an increase of 3,259 cars above the corresponding week in 1944.

Forest products loading totaled 33,727 cars, a decrease of 2,281 cars below the preceding week and a decrease of 6,224 cars below the corresponding week in 1944.

Ore loading amounted to 42,143 cars, a decrease of 9,456 cars below the preceding week and a decrease of 11,411 cars below the corresponding week in 1944.

Coke loading amounted to 12,542 cars, an increase of 852 cars above the preceding week, but a decrease of 1,304 cars below the corresponding week in 1944.

All districts reported increases compared with the corresponding week in 1944 except the Allegheny, Northwestern and Southwestern. All reported increases compared with 1943 except the Eastern, Allegheny, Centralwestern and Southwestern.

	1945	1944	1943
4 Weeks of January	3,001,544	3,158,700	2,910,638
4 Weeks of February	3,049,697	3,154,116	3,055,725
5 Weeks of March	4,018,627	3,916,037	3,845,547
4 Weeks of April	3,374,438	3,275,846	3,152,879
4 Weeks of May	3,452,977	3,441,616	3,363,195
5 weeks of June	4,364,662	4,338,886	4,003,393
4 Weeks of July	3,378,266	3,459,830	3,455,328
4 Weeks of August	3,240,175	3,576,269	3,554,694
5 Weeks of September	4,116,728	4,424,765	4,456,466
4 Weeks of October	3,150,712	3,598,245	3,607,851
Week of November 3	851,962	893,069	754,739
Week of November 10	838,218	839,504	847,972
Total	36,838,006	38,076,833	37,008,427

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Nov. 10, 1945. During this period 71 roads reported gains over the week ended Nov. 11, 1944.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS
(NUMBER OF CARS) WEEK ENDED NOV. 10

Railroads	Total Revenue Freight Loaded 1945	1944	1943	Total Loads Received from Connections 1945	1944
Eastern District—					
Ann Arbor	463	403	310	1,459	1,362
Bangor & Aroostook	2,293	1,814	2,667	317	506
Boston & Maine	7,019	6,382	6,945	12,926	14,750
Chicago, Indianapolis & Louisville	1,389	1,241	1,350	1,907	1,833
Central Indiana	42	34	42	36	45
Central Vermont	1,116	1,031	1,016	2,391	2,473
Delaware & Hudson	4,785	5,002	6,177	10,251	12,215
Delaware, Lackawanna & Western	7,453	7,771	7,627	8,747	10,702
Detroit & Mackinac	505	369	251	120	132
Detroit, Toledo & Ironton	1,931	1,932	2,054	1,198	1,187
Detroit & Toledo Shore Line	375	330	324	2,556	2,392
Erie	11,724	13,286	13,161	14,671	16,512
Grand Trunk Western	4,166	3,828	3,925	8,356	8,054
Lehigh & Hudson River	197	167	207	2,252	2,402
Lehigh & New England	2,304	1,491	1,553	1,565	1,602
Lehigh Valley	8,464	7,808	8,248	7,987	13,646
Maine Central	2,741	2,022	2,208	3,476	3,871
Monongahela	6,313	5,745	5,939	281	290
Montour	3,064	2,281	1,713	18	20
New York Central Lines	46,126	47,797	50,884	48,240	51,377
N. Y., N. H. & Hartford	9,922	9,347	10,153	13,914	18,148
New York, Ontario & Western	865	1,101	1,199	2,091	2,919
New York, Chicago & St. Louis	6,466	6,715	6,854	13,776	14,538
N. Y., Susquehanna & Western	448	356	632	1,879	1,935
Pittsburgh & Lake Erie	6,720	7,253	7,534	7,688	6,999
Pere Marquette	5,846	5,500	5,370	6,339	6,969
Pittsburgh & Shawmut	902	878	777	13	34
Pittsburg, Shawmut & North	185	306	372	197	233
Pittsburgh & West Virginia	965	1,094	1,435	1,920	2,793
Rutland	330	303	341	1,014	1,197
Wabash	6,972	6,082	6,181	11,149	12,015
Wheeling & Lake Erie	5,131	5,531	4,584	3,630	4,326
Total	157,222	155,214	162,033	192,364	217,474
Allegheny District—					
Akron, Canton & Youngstown	636	731	803	1,113	1,192
Baltimore & Ohio	43,988	44,313	45,364	24,494	27,445
Bessemer & Lake Erie	4,654	4,686	4,911	1,790	1,702
Buffalo Creek & Gauley	*	*	365	*	*
Cambria & Indiana	1,669	1,503	1,054	12	6
Central R. R. of New Jersey	6,360	6,178	7,320	15,742	19,444
Cornwall	500	580	625	62	40
Cumberland & Pennsylvania	289	172	232	13	8
Ligonier Valley	50	101	143	8	41
Long Island	1,604	1,788	1,480	4,373	5,214
Penn-Reading Seashore Lines	1,756	1,855	2,013	1,638	2,558
Pennsylvania System	82,580	82,161	80,726	62,304	65,668
Reading Co.	14,426	15,407	14,665	25,780	28,170
Union (Pittsburgh)	16,207	19,411	18,649	4,792	5,588
Western Maryland	4,401	3,924	4,194	10,419	12,523
Total	179,120	182,810	182,544	152,540	169,599
Pocahontas District—					
Chesapeake & Ohio	30,681	25,361	29,423	13,885	13,406
Norfolk & Western	22,058	18,541	21,608	6,843	7,013
Virginian	5,023	3,581	4,920	1,850	2,587
Total	57,762	47,483	55,951	22,578	23,006
Southern District—					
Alabama, Tennessee & Northern	448	442	288	168	346
Atl. & W. P.—W. R. R. of Ala.	786	714	699	2,061	3,150
Atlanta, Birmingham & Coast	756	859	741	1,310	1,504
Atlantic Coast Line	12,612	12,394	12,727	9,304	11,280
Central of Georgia	4,216	3,775	3,828	4,360	4,868
Charleston & Western Carolina	449	425	386	1,290	1,771
Clinchfield	1,436	1,647	1,596	2,496	2,855
Columbus & Greenville	423	345	316	254	314
Durham & Southern	114	149	129	423	877
Florida East Coast	2,313	2,239	2,208	1,263	1,440
Gainesville Midland	66	55	48	155	132
Georgia	1,269	1,271	1,177	2,039	2,552
Georgia & Florida	441	513	400	694	697
Gulf, Mobile & Ohio	4,907	5,060	4,255	4,429	4,509
Illinois Central System	28,354	28,003	28,577	15,426	17,241
Louisville & Nashville	24,913	23,230	25,135	10,116	12,325
Macon, Dublin & Savannah	226	198	180	859	827
Mississippi Central	284	416	256	404	472
Nashville, Chattanooga & St. L.	3,612	3,441	3,387	4,036	4,812
Norfolk Southern	1,157	1,053	1,068	1,506	2,231
Piedmont Northern	414	521	374	1,469	1,314
Richmond, Fred. & Potomac	443	408	510	8,477	10,518
Seaboard Air Line	11,218	9,940	10,998	8,177	9,349
Southern System	26,508	23,973	22,643	23,906	25,940
Tennessee Central	566	617	544	782	836
Winston-Salem Southbound	143	154	164	899	1,071
Total	128,074	121,842	122,634	106,303	123,231
Northwestern District—					
Chicago & North Western	20,043	17,958	17,519	14,040	13,539
Chicago Great Western	2,783	2,831	3,006	3,660	3,442
Chicago, Milw., St. P. & Pac.	21,769	21,448	21,253	10,167	10,341
Chicago, St. Paul, Minn. & Omaha	4,035	3,181	3,497	4,278	3,948
Duluth, Missabe & Iron Range	13,815	20,707	11,558	225	236
Duluth, South Shore & Atlantic	579	645	724	453	679
Elgin, Joilet & Eastern	7,695	9,319	8,453	9,171	11,294
Ft. Dodge, Des Moines & South	444	404	382	99	94
Great Northern	15,860	18,593	17,392	5,758	8,106
Green Bay & Western	579	477	524	820	974
Lake Superior & Ishpeming	1,888	1,090	921	55	68
Minneapolis & St. Louis	2,383	2,064	2,067	2,398	2,590
Minn., St. Paul & S. S. M.	7,232	6,686	6,007	3,148	2,933
Northern Pacific	11,185	11,572	12,317	4,484	6,294
Spokane International	184	217	107	303	566
Spokane, Portland & Seattle	1,798	2,503	2,480	2,577	3,708
Total	112,272	119,695	108,207	61,636	68,812
Central Western District—					
Atch., Top. & Santa Fe System	25,097	25,555	24,134	11,556	15,469
Alton	3,261	3,837	3,337	3,371	4,116
Bingham & Garfield	273	372	484	58	75
Chicago, Burlington & Quincy	22,444	21,245	20,973	11,735	14,531
Chicago & Illinois Midland	3,375	2,605	3,213	850	869
Chicago, Rock Island & Pacific	13,646	13,153	12,681	12,232	13,459
Chicago & Eastern Illinois	2,763	2,793	2,879	3,182	5,767
Colorado & Southern	1,455	1,256	1,514	1,769	2,612
Denver & Rio Grande Western	4,213	5,108	5,477	5,232	7,269
Denver & Salt Lake	845	635	575	35	18
Fort Worth & Denver City	1,118	1,000	1,066	1,644	2,423
Illinois Terminal	1,882	2,256	1,773	1,894	2,042
Missouri-Illinois	1,285	1,167	1,153	531	543
Nevada Northern	1,225	1,083	2,166	122	92
North Western Pacific	893	669	940	723	913
Peoria & Pekin Union	10	6	11	0	0
Southern Pacific (Pacific)	28,715	28,547	30,825	10,583	14,660
Toledo, Peoria & Western	0	493	398	0	1,940
Union Pacific System	21,367	21,652	21,626	14,598	18,376
Utah	842	475	598	4	2
Western Pacific	2,262	1,872	2,579	3,965	4,919
Total	136,971	135,778	138,402	84,084	110,095
Southwestern District—					
Burlington-Rock Island	289	624	344	112	644
Gulf Coast Lines	4,159	6,220	7,919	2,118	2,290
International-Great Northern	2,042	2,619	2,258	3,242	3,725
Kansas, Oklahoma & Gulf	†	†	233	†	†
Kansas City Southern	2,628	4,602	5,188	2,545	3,071
Louisiana & Arkansas	2,567	3,791	3,566	2,216	2,445
Litchfield & Madison	331	272	282	1,185	1,359
Midland Valley	1,314	952	481	1,664	1,474
Missouri & Arkansas	198	205	211	355	511
Missouri-Kansas-Texas Lines	5,860	6,660	5,973	3,873	5,527
Missouri Pacific	18,411	17,765	18,162	15,051	19,214
Quanah Acme & Pacific	171	77	76	178	470
St. Louis-San Francisco	10,676	10,177	9,117	7,917	9,016
St. Louis-Southwestern	3,270	3,886	3,214	4,818	7,169
Texas & New Orleans	9,742	12,636	14,741	5,404	5,851
Texas & Pacific	5,031	6,072	6,339	6,493	7,618
Wichita Falls & South[illegible]	91	73	85	76	51
Weatherford M. W. & N. W.	17	51	21	19	40
Total	66,797	76,682	78,201	57,265	70,475

*Not reporting. †Included in Midland Valley Ry.

Note—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1945—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Cumulative
Aug. 4	223,467	153,694	577,024	94	94
Aug. 11	157,653	153,368	582,785	94	94
Aug. 18	82,362	109,034	532,186	67	93
Aug. 25	131,952	161,763	488,289	99	94
Sept. 1	173,322	159,653	494,699	97	94
Sept. 8	160,857	125,683	527,938	80	93
Sept. 15	150,029	160,303	515,295	96	93
Sept. 22	128,061	151,365	489,702	93	93
Sept. 29	162,065	155,428	492,880	96	93
Oct. 6	193,674	154,147	533,087	95	93
Oct. 13	135,756	160,031	506,935	97	94
Oct. 20	134,324	155,723	489,971	96	94
Oct. 27	140,583	156,551	468,549	98	94
Nov. 3	201,060	156,223	511,022	97	94
Nov. 10	162,023	157,617	509,984	97	94

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Says French Policy Will Dismember Germany Economically

Byron Price, special investigator for President Truman, told White House reporters on Nov. 15 that French policies are leading to "economic dismemberment" of Germany contrary to the aims of the Potsdam agreement. This is learned from an Associated Press dispatch from Washington, on Nov. 15, which also had the following to say about the remarks of Mr. Price:

Mr. Price after a call to see the President said that France had refused to agree to any plans of the Allied Control Council to keep Germany an economic unit. As a result, he said, critical conditions can be expected this winter, with starvation, riots and disease a distinct possibility.

Mr. Price referred particularly to France's refusal to agree to any over-all plan for operating transportation, postal and crop-control systems. He remarked that under the four-power Control Council system of operating by unanimous consent one power can veto any plan favored by the other three.

Mr. Price, who was the American chief censor during the war, passed two months in the American, French and Russian zones of occupation surveying relations between military government officials and the German population. He made his formal report several days ago and called at the White House today to go over it with Mr. Truman. The President is withholding it from publication until he finishes a study of it.

Mr. Price gave his informal summary to reporters as it became known that the United States and France have begun conversations here on France's proposal to strip Germany of control over the industrially valuable Ruhr and Rhineland.

Rene Couve de Murville, French Ambassador, has opened negotiations with State Department representatives, but American officials are not expecting a speedy solution. Separate conferences are being held by the French at London and Moscow and agreement is needed in each instance before a policy decision can be made.

Rep. Mott Dies

Representative James W. Mott of Oregon, ranking Republican member of the House Naval Affairs Committee, was reported in special advices to the New York "Times," to have died on Nov. 12, his sixty-second birthday. Mr. Mott had presided frequently at hearings on the needs of the postwar Navy. According to the Associated Press, his death leaves the House with 241 Democrats, 188 Republicans, two members of other parties and four vacancies.

Lumber Movement—Week Ended November 10, 1945

According to the National Lumber Manufacturers Association, lumber shipments of 451 mills reporting to the National Lumber Barometer were 10.1% below production for the week ending Nov. 10, 1945. In the same week new orders of these mills were 7.7% less than production. Unfilled order files of the reporting mills amounted to 80% of stocks. For reporting softwood mills, unfilled orders are equivalent to 28 days' production at the current rate, and gross stocks are equivalent to 33 days' production.

For the year-to-date, shipments of reporting identical mills exceeded production by 4.1%; orders by 6.5%.

Compared to the average corresponding week of 1935-1939, production of reporting mills was 29.2% less; shipments were 29.0% less; orders were 27.2% less.

Items About Banks, Trust Companies

At a meeting of the Board of Trustees of Central Hanover Bank and Trust Company of New York held on Nov. 20, the following were elected Vice-Presidents: Craig S. Bartlett; Richard S. Carr; Alfred K. Fricke; G. K. Handley; J. E. Johnson; J. A. Toensmeier; Harvey Weeks, and Porter L. Willett. Charles F. Mapes was appointed Assistant Treasurer.

At the regular meeting of the Board of Directors of the National City Bank of New York held on Nov. 20, E. Theodore Gardner, formerly an Assistant Cashier, was appointed an Assistant Vice-President.

Sterling National Bank & Trust Co. of New York has announced that it has inaugurated personal loan service, with loans ranging from $60 to $5,000, repayable in 12 to 24 month installments. This marks an extension of the bank's service in the consumer credit field. The bank also extends personal loans on stocks, bonds, savings account passbooks and on new and used automobiles. It also makes FHA Property Improvement loans ranging from $50 to $2,500, repayable in monthly installments over a period of one to three years. The new personal loan service is being made available at all three offices of the Sterling National Bank & Trust Co., at Broadway and 39th Street, New York, 42nd Street and Lexington Avenue, New York and at Queens Boulevard near 63rd Drive, Rego Park.

City Bank Farmers Trust Company of New York has been appointed Transfer Agent for 5,000 shares Capital Stock of $100 par value, of The Merchants Bank of New York.

J. Luther Cleveland, President of the Guaranty Trust Company of New York, has announced the appointments of John R. Currier and Reidar E. Gundersen as Assistant Treasurers of the Company, and of John J. Moran, Alfred W. C. Spindler and Kenneth S. Stocker as Assistant Secretaries. Mr. Currier and Mr. Moran have recently returned to the Company from military leaves of absence.

John E. Bierwirth, President of the New York Trust Company announced on Nov. 15 the election of Lieutenant-Colonel William H. Gambrell as a Vice-President in the Personal Trust Division.

Colonel Gambrell practiced law in New York City, prior to the war, with the firm of Cravath, deCorsdorff, Swaine & Wood, specializing in trusts and estates. In September 1942, he was commissioned in the Judge Advocate General's Department, Army of the United States, and was assigned to contract work in the service of supply.

At a meeting of the Board of Directors of The Commercial National Bank and Trust Company of New York held on Nov. 15, the following elections were authorized, effective Dec. 1.

Walter G. Kimball, President since January, 1939, was elected Chairman of the Board, and continues as chief executive officer of the bank.

John M. Budinger, Senior Vice-President since January, 1944, was elected President.

William T. Taylor, who was formerly President of the Union Trust Company of Springfield, Mass., and more recently Vice-President of the Guaranty Trust Company of New York, was elected a Director and Vice-Chairman of the Board.

John J. Martin, George S. Mills and Bradford Norman, Jr., have been designated General Vice-Presidents of the bank.

E. Chester Gersten, President of The Public National Bank & Trust Company of New York, announced on Nov. 19 that Lieutenant Alton J. Burge, recently returned from the Navy, has been appointed Assistant Cashier at the main office.

William Clarkson Taber, Chairman of the Board of Urner-Barry Company died Nov. 13 at the age of 88 at his residence, in Brooklyn, New York.

Mr. Taber, born in Flushing, Long Island in 1857 went West at the age of 15, settling near Newtown Kansas. In 1877 he came to New York City, as Market Editor of the New York "Tribune," under Whitelaw Reid. Five years later he became associated with the Urner-Barry Company, Publishers, and in 1928 was elected President. For 43 years Mr. Taber served as a Trustee of the East River Savings Bank. He was a member of the Executive Committee and the Chairman of the Examining Committee.

Charlton Bagley Bunce, retired Vice-President of the Chase National Bank of New York died on Nov. 8 at the age of 65. Mr. Bunce first became connected with the Chase National in 1930 as Vice-President, and served in that position until his retirement in 1942.

Franklin H. Gates, retired Vice-President of the Chase National Bank of New York died on Nov. 8 at the age of 57.

Land Title Bank and Trust Company of Philadelphia is offering to its stockholders of record Nov. 14, 75,000 additional shares of common stock on a share for share subscription basis at $35 per share. The proceeds will be used to retire all of the bank's preferred stock, after which the Board expects to resume dividend payments on the common stock. The subscription rights are evidenced by Warrants and are transferable by assignment. The subscription period will end at noon on Saturday, Dec. 1. The advices from the company also state:

"A number of holders of common stock who own in the aggregate more than 50% of the outstanding shares have agreed to purchase from the bank, at $35 a share, any shares which may not be subscribed for by holders of Subscription Warrants. They will buy the shares as an investment and will charge no commission.

"When the financing has been completed the bank's capital funds will be common stock $3,750,000, surplus $3,750,000 and undivided profits approximately $1,000,000. About $1,000,000 will also be added to the bank's valuation reserves against its holdings of "Other Real Estate."

It is learned from the Philadelphia "Evening Bulletin" of Nov. 10 that the directors of the First National Bank of Philadelphia have voted to transfer $500,000 from undivided profits to surplus, thus increasing the amount of the surplus account to $6,000,000. Capital remains unchanged at $3,111,000 and undivided profits will be slightly in excess of $3,000,000.

On Nov. 19, the Rocky River office of The National City Bank of Cleveland opened for business as a continuation of the business of The First National Bank of Rocky River. The National City Bank recently acquired the assets and the business and assumed the liabilities of The First National Bank of Rocky River, subject to the approval of their stockholders which approval was given at a meeting held on Nov. 15. Advices from the bank Nov. 19 stated:

"The acquiring of this Bank and the continuance of its business as a branch operation is the first step in a policy of locating a limited number of banking offices throughout the Greater Cleveland area, in order that The National City Bank might better serve its many customers whose places of business are located outside of the downtown district.

"John Hoag, formerly President of The First National Bank of Rocky River, has been made a Vice-President of The National City Bank of Cleveland and will be in charge of the Rocky River Office. Frank Mitchell and F. W. Brown, formerly officers of the Rocky River bank, are now Assistant Vice-President and Assistant Cashier respectively of The National City Bank and will continue with the Rocky River Office.

The Directors of the Chicago Title and Trust Company, Chicago, Ill., on Nov. 13 declared a quarterly dividend of $3 per share payable Jan, 2, 1946 to stockholders of record on Dec. 19, 1945. The directors have recommended to stockholders that at the annual meeting to be held Jan. 14, the shares of stock be increased from 120,000 to 600,000 and the par value be reduced from $100 to $20. Upon approval by the stockholders each stockholder will receive five new shares in lieu of each share now held. The company announces that during the depression and war years, from time to time reserves were created out of current and accumulated earnings. It is now possible, it is stated, to measure more accurately the need for certain of the reserves created and the board has authorized the transfer of $2,000,000 to surplus from released reserves and undivided profits. The net income of the Company for 1944 was $1,419,641.58. For the first 10 months of 1945 net income is about 20% above the first 10 months of 1944.

Col. Henry T. Bodman, until recently on the staff of Lt. Gen. Levin H. Campbell, Chief of Ordnance, has been re-elected Vice-President of the National Bank of Detroit. He has been on leave of absence from the bank since January, 1941, according to the Detroit "Free Press" of Nov. 15, which also stated:

"With the bank since its organization, Mr. Bodman was elected an officer in 1935 and promoted to Vice-President in 1938.

Raymond J. Hodgson was also elected a Vice-President of the bank. He was assistant examiner of the Michigan State Banking Department, 1928-29; with Detroit Trust Co., 1930-32; the Detroit RFC, 1933-41, (manager 1938-41); and President of Graham Paige Motors Corp., 1942-45. He will direct the bank's mortgage department.

Lt. Comm. John Moorhead, with his release from naval duty, has rejoined the executive staff of Northwestern National Bank of Minneapolis, with promotion to Assistant Vice-President, J. F. Ringland, President, announced on Nov. 16, the Minneapolis "Journal" reports. The item in the paper indicated further said:

"Former Assistant Secretary of the bank, he will serve as loan officer. He has been employed by the bank since 1930 following graduation from University of Minnesota."

Major J. Carroll Walker has returned, after more than three years in the Armed Forces, to his former position as Vice-President of the Mercantile-Commerce Bank and Trust Company, St. Louis. Entering the Armed forces in July, 1942, Major Walker was assigned to the Flying Training Command as Squadron Commander. In January, 1944, he joined the Air Technical Service Command at Wright Field, Dayton, Ohio. Prior to receiving his discharge, Major Walker served as Army Air Force Contracting Officer at three aircraft manufacturing plants, his last assignment being Contracting Officer at Bell Aircraft Corporation, Marietta, Ga. Mr. Walker has resumed his former duties with the Correspondent Bank Division of Mercantile-Commerce and will represent the bank in his previous territory of the Southern and Southeastern states.

The stockholders of the Anglo-California National Bank, San Francisco will vote on Dec. 14 on the prosposal to issue 250,000 shares of common stock to provide funds to retire the banks $15 million prefered stock, which is owned almost entirely by the RFC, it was stated in the Wall Street "Journal," from which we also quote:

"W. H. Thomson, President of the bank, stated he would recommend an increase in the annual dividend on the common stock to $1.50 a share after the financing has been completed. The current rate is $1 a share.

"The plan contemplates giving stockholders the right to purchase one new share of common stock at $30 a share for each two shares now held.

"Consummation of the plan will give the bank $15 million of capital, $5 million of surplus and about $4 million of undivided profits and unallocated reserves.

Election of Eric A. Johnston and Marshal Hale, Jr., to the board of directors of the Bank of America, of San Francisco, is announced by A. J. Gock, Chairman of the Board. Mr. Johnston, now completing his fourth year as President of the United States Chamber of Commerce and recently appointed President of the Motion Pictures Producers and Distributors, Inc., of Washington and Hollywood, is now in Washington participating in President Truman's labor-management conference.

Mr. Hale, is another of the Pacific Coast's succesful and progressive young business men. Born in San Francisco in 1902, he began his career as a stock boy in the San Francisco store of Hale Bros., Stores. Inc., in 1926. He became general manager of Hale Bros., Inc., in 1938. Five years later he was elected President of the concern, which position he holds today. In taking his place on the Bank of America board he fills the seat occupied by his father, Marshall Hale,, Sr., many years until his death ten days ago.

Thomas J. Flynn, recently returned from military leave, has been elected Assistant Vice-President of Bank of America and appointed to an administrative post with the business extension department, Los Angeles headquarters, the Los Angeles "Times" stated on Nov. 6.

On Nov. 24, Citizens National Trust & Savings Bank of Los Angeles, Cal., will inaugurate its 34th office serving the greater Los Angeles area with the opening of its newly constructed Morningside Park Branch. H. D. Ivey, President of Citizens National, in commenting on the new branch office, said: "For many years, citizens of Morningside Park area have wanted a convenient banking facility. We are pleased that we have, at last, been able to erect a modern bank in the area to fill this need, and our resources will be used to promote the development of this community."

Edward Pope, for 12 years manager of the Bank of Montreal's main office in London, England, has been appointed as Assistant General Manager at the head office of the bank in Montreal. Mr. Pope has been connected with the bank for more than 20 years, serving in Canada, England and France. His duties in London will be taken over by the Assistant Manager, Allan D. Harper.

Fletcher Named V.-P. By Cleveland Reserve

The board of directors of the Federal Reserve Bank of Cleveland today elected William H. Fletcher First Vice-President, effective Dec. 1, 1945, it was announced by Ray M. Gidney, President of the bank.

William H. Fletcher

Mr. Fletcher succeeds Reuben B. Hays, resigned to become executive Vice-President of the First National Bank of Cincinnati.

As Vice-President, Mr. Fletcher has been in charge of the Bank Examination, Bank Relations, and the Credits, Loans and Discounts departments of the Reserve Bank. His work has brought him into personal contact with a very large number of bank officers and directors throughout the Fourth Federal Reserve District and he has a wide acquaintance among bankers and business men. He had an important part in handling the banking problems of the bank holiday period.

Mr. Fletcher was born in Athens, Ohio, and was graduated from Ohio University in 1907 at the age of 19. After three years as assistant manager of an Athens business concern he became an assistant National Bank examiner in 1910. He was a National Bank examiner in February, 1918, when he joined the Federal Reserve Bank as manager of its accounting department.

A short time later he became chief examiner for the Reserve bank and, upon his return from the Army in 1919, Mr. Fletcher organized and operated the bank's Bank Examination department. For seven months during 1920-21 he was assigned to assist in an examination of the Philippine National Bank at Manila, P. I., as part of a survey conducted by the U. S. Bureau of Insular Affairs. He was assistant Federal Reserve agent from 1923 to November 1934, and acting Federal Reserve agent from that date to the time of his election as Vice-President on Aug. 1, 1936.

Since Mr. Fletcher became Vice-President the number of state member banks in the Fourth District has been increased from 105 to a record high of 229 at present, and is showing a continual increase. Including national banks, member banks in the District now total 720.

China to Get U. S. Credit

China is to receive from the United States a post-Lend Lease credit of approximately $50,000,000, with "no munitions included," the Associated Press reported it had been informed by a Government official in Washington, Nov. 13, who stated that the transaction was designed to allow China to procure goods ordered under Lend-Lease but not delivered by V-J Day. Most of the items are said to be machinery, machine tools, textiles and some trucks and raw materials.